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US court approves sale of rival version of Glaxo's Zantac

Glaxo Wellcome, the world's largest drugs company by sales, has suffered a blow in a long-running legal battle in the US to prevent competition for its Zantac anti-ulcer drug which had worldwide sales of £2.2bn ($3.4bn) last year. A North Carolina court ruled that Canadian drugs company, Novopharm, could begin selling a generic version of Zantac when Glaxo's patent expires in July 1997. Page 17

Yeltsin suffers renewed criticism: Fresh disturbances erupted in the breakaway Chechnya region and Russia's media reverted to criticising President Boris Yeltsin after his resounding election win. Page 16; Chechnya tensions, Page 2

Germany, Austria face Emu warning: A meeting of European Union finance ministers in Brussels will tell Germany and Austria that they must reduce public debt if they are to qualify for European monetary union next year. Page 2

Creditanstalt's privatisation has again been thrown into doubt after First Austrian Savings Bank met opposition to its proposal to set up a loose management holding group with Austria's second-largest bank. Page 19

Airbus Industrie executives will to consider proposals for radically restructuring the world's second largest aircraft maker so it can compete more effectively with Boeing of the US. Page 2

Mazda, Japanese carmaker controlled by Ford, said it should be able to maintain a multi-model product range into the next century in spite of cutting development costs and its workforce. Page 17

New French TV service 'by Christmas': The chairman of France's second digital satellite service said it would be in operating with about 20 channels in time for Christmas. Page 2

Krajicek wins first Wimbledon title

Dutch tennis player Richard Krajicek (above) overpowered MaliVai Washington of the US in straights sets to win his first Wimbledon title. In a rain-interrupted match, Krajicek served 14 aces to win the first Wimbledon men's final between two unseeded players 6-3, 6-4, 6-3.

UN sees new Aids hope: The executive director of the joint UN programme on HIV/Aids, Peter Piot, told the opening of International Conference on Aids that the world was entering an era of hope that the disease could be beaten. Page 4

Mandela may support Burundi troops: South African president Nelson Mandela may back a plan to send troops to prevent further bloodshed in Burundi when he addresses the Organisation of African Unity summit in Cameroon. Page 16

Global warming conference: A meeting of 150 countries to discuss battling global warming, due to start in Geneva today, will hear that Germany and the UK are the only countries set to honour a pledge to stabilise emissions by 2000. Page 4

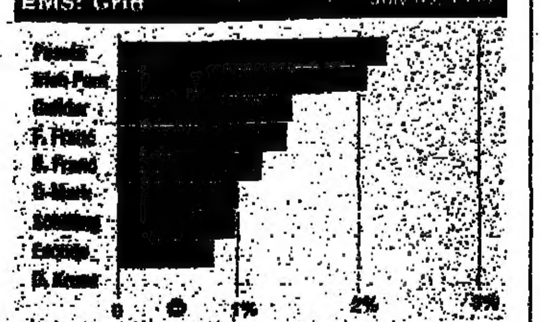
Report warns HK on efficiency: Hong Kong must improve efficiency and reduce costs to maintain an edge over regional rivals, a Harvard Business School study claims. Page 8; Lex, Page 16

Save the Children, the UK's largest international children's charity, has asked the Chinese government to investigate allegations that Nestlé, the world's biggest food processing group, has broken the World Health Organisation's code covering the sale of breast milk substitutes. Page 4

Bangkok may restrict traffic: Thailand may ban the use of new cars in traffic-congested Bangkok during rush hours, despite government success in attracting investment from leading carmakers. Page 8

European Monetary System: The French franc climbed four places in the EMS grid, despite a five basis point cut in the intervention rate from the Bank of France. The Danish krone stayed on the bottom of the grid with the spread between currencies little changed. Currencies, Page 27

EMS: Grid July 05, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Albania	LEK 220	Germany	DM4.00	Lithuania	Lis 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft250	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira100	Spain	Pta250
Denmark	DKr18	Israel	Shk7.80	Norway	NKr20.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3300	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y600	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.00	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils.650	Portugal (cont)	Es240	Turkey	L90,000
		Lebanon	LL3,000			UAE	Dh12.00

Independence Day blitzes US box office records

Alien invasion film attracts millions as summer movie season hots up

By Christopher Parkes in Los Angeles

Independence Day, an alien invasion film dedicated to the unlikely proposition that humanity can survive after the White House has been fried, destroyed half a dozen box office records in its first week in the cinema.

By midday on Saturday, less than four days after its launch in the Fourth of July holiday week, the hit of the season had taken more than $60m in ticket sales as an estimated 10m people rushed to the intergalactic barbecue.

The $49m record for the holiday week's take, set by *Terminator II* over six days in 1991, was already ashes by Friday.

The best box office gross for a Wednesday opening, recorded last month by *Mission: Impossible*, evaporated last week as $17m rolled across the ticket counter.

Pundits scrambled for ever more erudite comparisons as the 20th Century Fox film outpost of News Corporation's media empire struck back in the war for America's bottoms.

The film, which cost an estimated $75m to make and has consumed untold millions more in an extravagant six-month marketing campaign, marks the peak of a cinema season as remarkable for its predictions of impending doom as for its undeniable successes.

It started with *Twister*, a successful whirlwind saga now rolling into world markets, and has continued with Arnold Schwarzenegger's *Eraser*, Walt Disney's *The Rock*, the Tom Cruise vehicle, *Mission: Impossible*, a hit remake of Jerry Lewis's *Nutty Professor* with Eddie Murphy and an animated Quasimodo jerking tears and ringing bells in Disney's *The Hunchback of Notre Dame*.

Although gross domestic cinema revenues are certain to beat last year's record of about $5.3bn, the impact on margins of high production and marketing costs has been compounded this year by excessive output.

Films which might have expected long stays in cinemas have been squeezed out or pushed into smaller theatres by the following weeks' offerings.

While Disney has responded by announcing plans to halve its live-action production schedule to about 20 films a year, the

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Moscow plans $1bn sale of 200 city hotels

By Scheherazade Daneshkhu in London and John Thornhill in Moscow

Moscow's city government is extending privatisation to Russia's hotel industry by putting 200 hotels on the market, with a price tag of at least $1bn.

The hotels include the recently refurbished five-star National close to Red Square, Lenin's favourite hotel which was also rumoured to have once been the base for the KGB.

It is currently under management contract to Forte, the hotel group owned by Granada, the UK television and leisure group.

The plans to spruce up Moscow's hotels in time for the 850th anniversary of the city's foundation next year are part of an ambitious programme of urban renewal by Mr Yuri Luzhkov, the city's populist mayor.

Mr Luzhkov, who was re-elected last month by an overwhelming majority, has actively promoted foreign joint ventures in Moscow. The city government has an equity stake in more than 80 restaurant, retailing and hotel chains.

Most of the hotels, however, are in poor repair and, according to Knight Frank, the UK-based chartered surveyor which is acting as investment adviser to the city government, require "substantial refurbishment and, in some cases, reconstruction".

Mr Luzhkov has been a fierce critic of the national government's mass privatisation programme and appears determined to pursue a more hands-on approach to selling the city's hotels. But critics allege Mr Luzhkov's interventionist style of business results in preferential treatment for businesses in which the city administration has a financial stake.

The Russian government has struggled to attract foreign investors into recent privatisation issues largely because of the difficulty of defending property rights in the country's unpredictable legal environment.

Mr Stephen Potel, head of international hotels at Knight Frank, said the city government did not wish to sell the freehold for the best properties. It would probably grant renewable leases of up to 49 years and was likely to form joint stock companies in which 25 per cent would be held by the city and the rest offered to foreign investors.

"The city government wants to attract foreign capital and foreign mangement expertise for the kind of accommodation that can be marketed worldwide," said Mr Potel. He said Knight Frank and Moskva, its joint stock company, would be structuring financial packages, such as a global facility and tax holidays, to encourage overseas investment.

The city's hotel industry is polarised between 12 upmarket hotels and the rest, described by one hotel analyst as "unfit for human habitation" where cockroaches run rampant and bathplugs are a rare commodity.

The most likely buyers are international hotel companies willing to put in some equity to secure a Moscow presence, such as Hilton International, Marriott and ITT Sheraton; property and construction companies; and individuals with large sums of rouble income seeking investment opportunities.

Injury at start of Pamplona festival: Pamplona's running of the bulls began yesterday and a 25-year-old South African, one of scores of foreigners who risk their lives in the annual spectacle in the northern Spanish town, was rushed to hospital after being badly gored. Picture: Reuter

Philip Morris hit by Naples tax probe

By Robert Graham in Rome

Executives of Philip Morris, the makers of Marlboro cigarettes, are due to be questioned by investigating magistrates in Naples this week about alleged tax evasion on its Italian operations over the past 10 years.

The investigation, begun in 1995, is understood to involve up to 25 senior figures in Philip Morris Europe and Interba, a Milan-registered affiliate.

The issue is highly sensitive as the company's production licence agreement ended on June 30. Brands of the US multinational account for 54 per cent of the legal Italian cigarette market and perhaps as much as 70 per cent if contraband sales are included.

The essence of the case is that Philip Morris has allegedly misrepresented the nature of Interba and has thereby paid considerably less tax than it should. The amount involved is unclear.

The company operates under two separate agreements in Italy: a production licence on which royalties are received, and a distribution agreement for cigarettes produced in Germany and the Netherlands. Last year royalties income was worth L121bn ($78.8m), while the group distributed cigarettes worth L1,225bn.

The tax on this was based on the company being foreign-registered. The magistrates are probing whether Interba, with 1,400 employees in five factories, could be construed as a fixed headquarters for the multinational, in which case it should pay corporate taxes at a higher rate.

On Friday Philip Morris denied any wrongdoing.

The investigation was apparently sparked by Mr Ernesto Del Gizzo, head of the Italian monopolies authority, who told a parliamentary committee last November that Philip Morris enjoyed a privileged position that needed to be reassessed.

Industry sources said yesterday that the investigation risked rebounding on the monopolies authority, whose role appears increasingly anachronistic in Italy's plans to liberalise and privatise.

Guinness rules out GrandMet bid after 'reviewing options'

By Roderick Oram in London

Guinness denied yesterday that it was planning a £13bn ($20bn) takeover bid for rival Grand Metropolitan or considering hiving off its brewing business. But it made clear it had studied such options as a way of boosting profits growth.

The group, which has come under pressure from some shareholders to improve its flat earnings performance, said it had asked Lazard Brothers, its lead merchant bank, to review such possibilities.

But after reviewing them it had rejected them. "Guinness has no intention of making a hostile bid for Grand Metropolitan or of selling or demerging its brewing business," the company said.

All spirits producers are suffering slow profits growth. Guinness's review of its options appears to have been an attempt to find a way to break out into stronger growth, analysts said.

Distributing more brands through Guinness's global network was an obvious way, giving some appeal to a merger with GrandMet, the food and drinks group.

But such a deal would face several monopoly issues. Combined, the two groups would own about 55 per cent of scotch whisky distillation and have more than 50 per cent of the US scotch market. Financial hurdles include high capital gains taxes on selling GrandMet's Pilsbury and Burger King food businesses.

"I think they'd struggle to do it," one analyst said yesterday.

"If Guinness did anything stupid – and we don't believe they will – we are ready for them," a senior GrandMet executive said. "We don't want to sound complacent but we are having our best year ever."

Analysts expect competitive pressures to bring ownership changes in the industry in coming years. Allied Domecq, which has issued a string of profit warnings, remains the most obvious target for a break-up.

Lazard's analysis of a Guinness bid for GrandMet was leaked to the Sunday Telegraph.

Guinness will make a formal statement today. So explicit was its declaration that it would not make a hostile bid for GrandMet or sell its brewery business, that the London Stock Exchange would not allow it to change its mind in the medium term.

But Guinness acknowledged its statement left open a possible friendly deal with GrandMet to buy GrandMet's International Distillers Vintners drinks arm, which includes brands such as Smirnoff Vodka, J&B whisky and Bailey's Irish Cream.

But GrandMet and analysts said this was extremely unlikely given the central role of spirits in GrandMet's operations.

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CONTENTS

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Even the strongest candidates for single currency still need to cut public debt

Emu warning for Germany and Austria

By Lionel Barber in Brussels

Germany and Austria will be put on notice today that they must reduce public debt if they are to qualify for European monetary union next year.

The warning will come at a meeting of European Union finance ministers in Brussels. It shows how even the strongest candidates for the single currency still have ground to make up.

Ten other member states, including Britain and France, will also be advised to take corrective action to reduce budget deficits in 1995 exceeding the Maastricht treaty target of 3 per cent of gross domestic product. Only Denmark, Ireland, and Luxembourg escape the blacklist.

The Brussels meeting is the first under the new Irish presidency, which has pledged to inject fresh momentum into the employment debate after last month's inconclusive EU summit in Florence.

Mr Jacques Santer, president of the European Commission, narrowly failed to win support for his request for an extra Ecu1bn ($1.24bn) to finance spending on EU transport networks. But he is unlikely to press his case today, acknowledging that the objections of Mr Theo Waigel, German finance minster, are too strong to counter.

Mr Waigel's opposition stems partly from the embarrassment that Germany's budget deficit in 1995 shot up unexpectedly to 3.5 per cent of GDP. Even with a DM50bn ($32.8bn) public spending package, the Bonn government may still struggle to meet the 3 per cent target in 1996, meaning everything turns on the performance in 1997.

Austria, a hard currency front-runner for Emu, will today present its "convergence" programme setting out how it intends to meet the Maastricht targets in 1997. The European Commission said last week it would warn Austria about a rise in government debt, despite efforts to prune the deficit.

These signals about debt levels and deficits offer a foretaste of the drama in early 1998 when the 15 EU heads of government will interpret the five Maastricht criteria for Emu, covering low inflation, interest rates, exchange rate stability, public deficits and debt.

Maastricht also provides for a "fast track" Emu in 1997 if a majority of countries meet the targets in 1996. In Florence, EU leaders declared that the treaty procedure for vetting all countries' performance in 1996 was "not necessary" because no such majority existed.

But legal advice has challenged this view. Officials said last week the procedures would be respected, without offering clues to financial markets on how flexibly criteria would be interpreted in 1998.

Chechnya tensions rise after fighting

By John Thornhill in Moscow

Tensions escalated yesterday in the separatist region of Chechnya in southern Russia, as rebel leaders accused federal forces of failing to comply with an agreement to remove several military checkpoints.

But Russian commanders alleged Chechen resistance fighters were also violating promises to stop firing on federal troops. Two Russian servicemen were killed in one of 12 firefights to erupt yesterday morning.

The renewed confrontation in the region, where more than 30,000 people have been killed in the past 18 months, highlights the fragility of the peace deal struck by President Boris Yeltsin before last week's presidential elections and threatens to spark renewed large-scale violence.

But in an attempt to give the peace initiative a new impulse, Mr Yeltsin sent a security council delegation to the region on Saturday to pursue talks with the separatist leadership. A meeting was reported to have taken place yesterday outside Grozny, the Chechen capital, although there were no details of what was discussed.

Mr Alexander Lebed, the former paratroop general named secretary of the influential security council last month, has vowed to visit the region to help resolve disputes.

Mr Lebed has been fiercely critical of the incompetent handling of the Chechen war, in which ill-trained and demoralised Russian conscripts have been constantly harried by Chechen resistance fighters.

There were unconfirmed reports on Russian newsagencies over the weekend that General Vyacheslav Tikhomorov, the Russian army commander in Chechnya, would be dismissed.

Mr Lebed has already proved ruthless in sacking seven generals closely identified with the former defence minister, General Pavel Grachev, who was the chief advocate of the use of armed force in Chechnya.

Continuing peace talks have been bogged down in disputes over Chechnya's constitutional status. The Russian government refuses to countenance Chechnya withdrawing from the federation, while extremist rebel Chechen leaders are still pressing for full independence.

Mr Sergei Kovalyev, the Russian human rights campaigner, said yesterday he was pessimistic about the prospects for peace in the region, as the intransigent attitude adopted by the Kremlin towards Chechnya's constitutional status amounted to an ultimatum.

Russia has been dragging its heels in implementing a pledge to withdraw troops from Chechnya. Only 3,000 Russian troops of the 48,000-strong garrison have so far left Chechnya and federal forces have been repeatedly subjected to guerrilla attacks.

Grim destination for a railway chief

David Owen visits the remand centre housing Loïk Le Floch-Prigent

"Is this really where they are holding Loïk Le Floch-Prigent?"

The blue-shirted security officer looks up from his magazine and peers out through the dark glass of his concrete booth.

"Yes."

Bounded by a featureless 20ft wall and with heavily barred windows on the top storey, the La Santé remand centre in a graffiti-scarred part of south Paris, near Denfert-Rochereau metro station, must be a forbidding place for the chairman of SNCF, France's state-owned railway company.

Mr Le Floch-Prigent was detained early on Friday in connection with an inquiry into investments made by Elf Aquitaine, the French oil giant, while he was chairman between 1989 and 1993. The move came after he was put under formal investigation by Ms Eva Joly, an investigating magistrate.

According to the obliging security guard, about 2,000 men are currently held at La Santé in cells with about 20 square metres' floorspace. Each one is equipped with a toilet, a washbasin and a small cupboard.

If prisoners want, say, a television set to put in their room, they must rent one.

While prisoners can wear their own clothes, a notice beside an elongated bus-shelter-like structure, presumably acting as a waiting area for relatives, lists items forbidden from inclusion in parcels of washing.

These include scarves, ties, leather or imitation leather gloves, dressing gowns, belts, leather jackets, bath towels bigger than 1m20 x 1m20, paper hankies and "all navy blue, military green or camouflage clothes".

Another notice asks that books, magazines and newspapers, "three in total", be clearly labelled with the name, committal number and cell number of the prisoner.

The longer Mr Le Floch-Prigent is confined in these unprepossessing surroundings, the more likely it is that he will have to be replaced as chairman of SNCF.

The French government has so far continued to support him, stressing that to be *mis en examen* in the French legal jargon still carries a presumption of innocence. But the loss-making enterprise is about to embark on a wide-ranging restructuring. An important board meeting is due to take place on Wednesday at which a response to a letter from Mr Alain Juppé, the French prime minister, setting out the objectives the state is fixing for SNCF is expected to be endorsed.

The authorities have 20 days in which to give a ruling on the appeal lodged by Mr Le Floch-Prigent's lawyer against his client's detention. If they take full advantage of this, the SNCF chairman could conceivably be kept waiting for most of July.

Le Floch-Prigent: behind bars

French digital satellite TV for Christmas

By Andrew Jack in Paris

France's second digital satellite service will be in operation just in time for Christmas with about 20 channels available to subscribers, its new chairman pledged yesterday.

Mr Patrick Le Lay, chairman of TF1, the country's leading private-sector television broadcaster and head of the TPS consortium which will operate the service, said accords had already been reached on the technology to be used and the purchasing policy to adopt in discussions with programme providers.

He said marketing for the service would begin in September and hinted that he would be seeking to acquire broadcasting rights for leading sports events, including football, which are considered essential to attract large numbers of subscribers.

Mr Le Lay was speaking after the first full board meeting of TPS last week, following final approval of the structure of the group by its six shareholders last month.

The service, which will compete with Canal Satellite, a package of satellite programmes launched by the French pay TV station Canal Plus in late April, is one-quarter owned by TF1, with a further 25 per cent owned by France Television Enterprises, in turn jointly controlled by the leading public French television chains and France Télécom.

The other shareholders are the private television station M6, the utilities group Lyonnaise des Eaux and Compagnie Luxembourgeoise de Télédiffusion (CLT), which is merging with the German media group Bertelsmann.

Mr Le Lay dismissed suggestions that the merger would destabilise the TPS group, and stressed that all the shareholders brought "their money, reflections and understanding of the market".

He said that each shareholder would support the service financially in proportion to their investment, providing FFr1.5bn ($290m) between them by the end of 1998 and at least FFr2bn more in the following two to three years.

He estimated that the service would be profitable by the turn of the century and insisted that there was room in France for two or even three competing satellite services, despite the pressure leading to mergers in other countries such as the UK in the past.

Although Canal Plus has signed up a very important exclusive contract with the French football league to broadcast all of its first division matches for pay-per-view subscribers, Mr Le Lay believes competition between programmers will make such exclusivity impossible to sustain.

He admitted that launching a satellite service was a little like "the Wild West" with three "unknowns": the reaction of the marketplace; the rapid advances in technology; and the "formidable" competition for a limited supply of programmes.

He expected that within the next few years, TPS would be offering programmes on demand, by which subscribers could see "what they want, when they want".

The TPS consortium has decided that the Viaccess technology developed by its partner France Télécom will be used to receive the satellite service, and he said the French electronics maker Thomson would probably be among those building its decoders. Mr Le Lay said he wanted the retail price of the decoders to have fallen to FFr1,000-FFr1,500 within the next two or three years.

Airbus executives to weigh restructuring

By Michael Cassell in London

Executives of Airbus Industrie, the world's second largest aircraft maker, will meet in Paris today to consider proposals for radically restructuring the business.

The meeting of the Airbus supervisory board, chaired by Mr Edzard Reuter, will consider a report believed to contain options for changing the structure of the business so it can compete more effectively with Boeing of the US, the biggest aircraft maker.

At present, Airbus is owned by Aérospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain. The business is organised as a Groupement d'Intérêt Economique, which means profits and losses accrue to the partner companies rather than to the consortium itself.

Under present arrangements, members of the consortium are allocated a proportion of aircraft manufacturing work in accordance with their shareholdings.

Critics of the existing structure claim that it prevents Airbus from competing effectively because it cannot seek lower costs by contracting out elements of the production process.

The central question facing the five-man supervisory board centres on whether to convert Airbus into a limited company, although it is not clear if any decision will be taken today.

Supporters of establishing Airbus as a profit-making entity in its own right say the move would make it more competitive in a tough market where price-cutting is increasingly common.

After early opposition to the proposal among some consortium members, opinion has now swung in favour of restructuring. In April, Aérospatiale decided to back the idea, following endorsement from both Britain and Germany. Mr Jean Pierson, Airbus managing director, has also called for the company to become a limited company.

If conversion is agreed, Airbus partners will then have to decide both on a timing for incorporation and the new operational framework to be adopted. An Airbus spokesman last night confirmed today's meeting of the supervisory board, which he said had the power to take strategic decisions over the future of the consortium. The outcome, he added, was a matter of "pure speculation".

Industry investment rises in W Germany

By Wolfgang Münchau in Frankfurt

Investments in western German industry held up despite the economic downturn, according to the bi-annual investment survey by IFO, the economic institute. The building industry, however, continues on a steep downward trend, with new investments in sharp decline.

According to IFO, the western German manufacturing sector increased investments in plant and machinery by about 7 per cent in the last six months, and is forecast to invest another 6 per cent more this year.

The moderate investment growth, however, is likely to prove a mixed blessing for the German economy as a whole and especially for the labour market. About 39 per cent of companies polled said they planned to invest mainly in rationalisation measures aimed primarily at cutting staff levels and wage costs. Only a third of the companies said they were investing to expand.

Last year's increase in new investments is lower than previously forecast, as many companies have delayed planned investment into the current year. Among the sectors with above-average investment growth rates were machine tool, optical and data processing companies. The steel and light metal construction sector and the aviation and shipbuilding sectors invested less.

For the current year, the IFO survey showed that half of the manufacturing companies intended to invest more, while one quarter said they would invest less. The continued strength of new investments is benefiting the investment goods sector, which itself is expected to step up investments by 10 per cent this year, the same growth rate as in 1995.

But while western German manufacturing industry is investing more, the building sector is locked in one of the worst recessions in recent memory.

A separate survey on investment intentions in the building sector has shown that the west German construction sector, previously one of the pillars of the economy, has been hard hit by the fall in public and private building activity last year. Last year, west German construction companies invested 8 per cent less in plant and machinery, the third consecutive year of decline.

The rate of decline is forecast to accelerate in 1996.

INTERNATIONAL NEWS DIGEST

Iraq hoping to export oil soon

Iraq's oil minister, General Amer Mohammad Rashid, said at the weekend his government hoped to sign contracts with foreign companies and begin exporting oil in two weeks under the United Nations oil-for-food deal.

Gen Rashid told reporters Baghdad hoped Mr Boutros Boutros Ghali, UN secretary general, would approve an Iraqi plan to distribute food from the limited sale of oil in the next week. "Then we will sign contracts with [foreign] companies and four or five days later the tankers would arrive and be filled with Iraqi oil," Mr Rashid said. Although an oil-for-food deal was agreed in principle between the UN and Iraq on May 20, obstacles remain on the details of the plan, which allows Iraq to sell oil worth up to $2bn every six months to buy badly needed food and medicines.

US officials have said the Iraqi plan is unacceptable because it gives Baghdad too much control over food distribution, particularly in areas controlled by rebel Kurds. But diplomats at the UN in New York said they were encouraged by the progress of discussions between UN and Iraqi officials, adding that Baghdad was revising its plans and a solution was likely to be found to overcome US objections. *AFP, Baghdad*

Eximbank loan for Chinese dam

The US Export-Import Bank is poised to approve formally $55m in export credits for a Chinese hydroelectric power dam on the Yellow River. Eximbank said the bank's board of directors was expected to approve the financing at its meeting tomorrow, as the Clinton administration had already approved the loan.

Application for the credit was made by Voith-Hydro, a US unit of German company J.M. Voith. Last month, the bank refused to approve credit applications by US companies that wanted to bid for the Three Gorges dam project, which has been widely criticised for failing to meet environmental standards. *AFX, Washington*

Judge in NY for IBM probe

Mr Adolfo Bagnasco, the Argentine federal judge investigating corruption charges relating to a cancelled $249m computer contract between US computer company IBM and Argentina's state-owned Banco Nación, yesterday arrived in New York. Mr Bagnasco will meet officials of the Justice Department and Securities Exchange Commission who are investigating whether IBM or any of its executives breached the Foreign Corrupt Practices Act, which prohibits US companies from paying bribes to officials of foreign governments. As Banco Nación is wholly state-owned, its employees are classified as state officials.

In April, Mr Bagnasco indicted 30 IBM and Banco Nación staff members and Argentine government officials on suspicion of defrauding the state in relation to the contract – one of the biggest information technology deals in Latin America. Mr Bagnasco said he might also try to meet senior IBM executives, although IBM said it had received no requests for meetings. *Matthew Doman, Buenos Aires*

Menem home under fire

The Buenos Aires home of Eduardo Menem, brother of Argentine President Carlos Menem and head of the country's Senate, was attacked by gunmen over the weekend, resulting in the death of a police officer. The government began an immediate investigation to ascertain whether the attack was politically motivated. Five assailants opened fire on Mr Menem's home just before midnight on Saturday. After a brief exchange of fire with police, in which a sergeant died and another officer was injured, the attackers fled.

Mr Menem, his wife and two children were at home during the attack, but were unhurt. *Matthew Doman*

Eleven killed in Kashmir

Suspected separatist militants shot dead at least 11 migrant workers in India's Jammu and Kashmir state, police said yesterday. They said a group of unidentified gunmen, suspected of being Moslem militants, killed the workers from other northern Indian states as they slept in the village of Patakote in Kupwara district bordering Pakistan, on Saturday night.

The killings took place a few hours after Mr H.D. Deve Gowda, Indian prime minister, ended a visit to Kashmir – the first visit by an Indian head of government in nearly 10 years – where his government wants to hold early state assembly polls.

It was the second serious attack by suspected militants in the area in a week. A Kashmiri family of 10 were killed in the neighbouring village of Langet on Wednesday.

During his one-day tour of Kashmir on Saturday, Mr Deve Gowda said the situation in Kashmir – the only Moslem-majority state in predominantly Hindu India – had improved, and all political groups wanted early local elections. "All political parties today unanimously requested the central government" to hold early assembly elections in the state, he said after he met local politicians, including Mr Farooq Abdullah, former state chief minister.

But under pressure from separatists, shops and offices in Srinagar were closed in protest at Mr Deve Gowda's visit, according to residents. *Reuter, Srinagar*

Anti-US protest in Japan

Thousands of angry villagers on Japan's southern main island of Kyushu took part in a rally yesterday to protest at Tokyo's plan to let the US military conduct firing drills there.

Organisers said about 16,000 people from three towns in Oita Prefecture took to the streets to protest against the government's plan to allow US forces to use an artillery firing range owned by Japan's military in their towns.

The Tokyo government plans to allow use of the firing range as a replacement for the one used by US military on Japan's southernmost island of Okinawa.

The rape of a 12-year-old Okinawa schoolgirl last September by three US servicemen sparked public anger against the presence of US military bases in Japan. All three men were convicted and received prison terms. *Reuter, Tokyo*

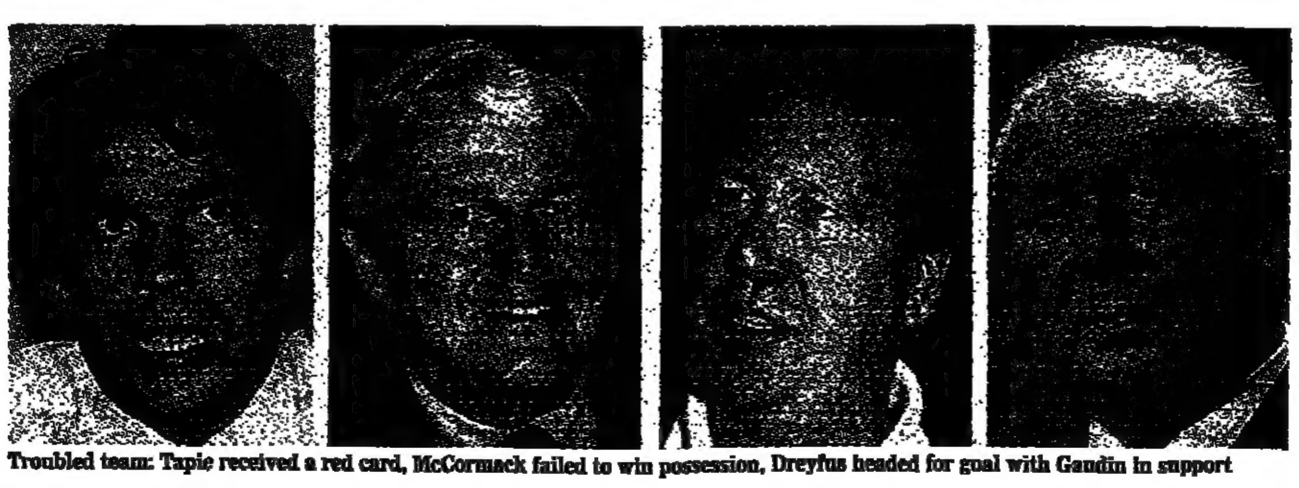
Olympique hopes Adidas will put it back onside

By Jimmy Burns in London and Andrew Jack in Paris

Olympique de Marseille, the scandal-ridden French soccer club, may have a new saviour in the person of Mr Robert-Louis Dreyfus, head of the sports equipment group Adidas.

The club – which won the European Cup in 1993– is set to return to the French first division this season after being banned for match-rigging in 1994. However its financial future has been in doubt since the bankruptcy in April last year of the company that controlled it and the conviction of Mr Bernard Tapie, the French businessman and politician who owned the company, for the match-rigging scandal.

Last week Mr Dreyfus appeared to become the caretaker owner of the club in a complex and secretive deal which had the support of Mr Jean-Claude Gaudin, the mayor of the city of Marseilles, which holds just over half the capital. Mr Dreyfus is expected to announce within the next two months a series of outside investors he has assembled to take control of it.



Troubled team: Tapie received a red card, McCormack failed to win possession, Dreyfus headed for goal with Gaudin in support

Mr Jean-Michel Roussier, director of Olympique de Marseille, said last week he believed it was unlikely that Adidas itself would be one of the future investors in the club.

However the agreement with Mr Dreyfus is likely to pave the way for a new sponsorship deal with Adidas.

Under Mr Dreyfus, Adidas has been pursuing aggressive advertising techniques to compete with the sportswear market leaders, Nike and Reebok. Nike are the sponsors of Paris St Germain, which Olympique de Marseille wants to challenge for the French championship.

Those trying to get control of Olympique de Marseille have had one eye on the next World Cup, which will be held in France in 1998. The Marseilles stadium is being upgraded as part of a big state-subsidised investment in the tournament, increasing the value of the club at no cost, and releasing the club's future investments for purchases of players.

Mr Dreyfus won the support of the Marseilles authorities in spite of competition from other potential bidders including the sports entrepreneur Mr Mark McCormack's IMG group and Tati, the French clothing group.

Mr Roussier would not give full details of the amount of the bid, but said it was for the FFr20m ($3.87m) nominal value of the shares in the club held by the city of Marseilles and the regional council, as well as a financial guarantee for "much more".

He said that Mr Dreyfus' offer had been at approximately the same value as the rival contenders, and he was confident Mr Dreyfus' reputation would ensure he could assemble a group of investors rapidly. He refused to name the investors, but said most had already agreed.

For IMG , the news that it had lost to Mr Dreyfus was a new blow in a week that also saw the group losing its battle to acquire TV broadcasting rights for the 2002 and 2006 world cups. The rights were won by the German media group Kirch and ISL, the Swiss marketing agency, which had bid SFr2.8bn ($2.24bn) in the biggest football broadcasting deal ever awarded by Fifa, the world football governing body.

IMG, which recently signed a contract to sponsor the Argentine first division league, is hoping to expand its soccer interests in Latin America. Mr Eric Drossard, its vice president, said the group was still interested in acquiring a soccer club.

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Bangkok may ban new cars until 2001

By Ted Bardacke in Bangkok

Thailand is on the brink of imposing severe restrictions on the use of new private cars in traffic-congested Bangkok, a move which flies in the face of government success in attracting major investments by leading vehicle manufacturers.

Deputy Prime Minister Thaksin Shinawatra, in charge of Bangkok's transportation policy, has proposed that new vehicles bought from January 1, 1997 until the end of 2000 be banned from city streets in the morning and afternoon rush hours.

Mr Thaksin is also preparing to limit the use of some city thoroughfares in rush hours to vehicles carrying at least two people.

Rush-hour traffic clogs a main thoroughfare in the centre of Bangkok city. New cars may be banned soon Glyn Genin

While a provision of the regulations would allow people who already own cars to transfer their right to circulate from their old cars to new ones, the measure would virtually destroy the market for first-time new car buyers, who would be forced to buy used cars if they wanted access to Bangkok's streets at all times.

Manufacturers are concerned about the proposal and the Federation of Thai Industries Automotive Club is seeking a co-ordinated industry response. Many have pointed out the serious loopholes in the scheme – some entrepreneurs are already scouring Bangkok neighbourhoods for junked cars with intact registrations in an attempt to corner the market on used licence plates.

Some manufacturers have questioned Mr Thaksin's divided loyalties, as in addition to controlling traffic policy, his party is also in charge of Thailand's industry ministry.

"With Thailand poised to become the centre of automobile production in the region, this rule will hint at the government's inconsistent policy," said Mr David Synder, president of a Ford-Mazda joint venture scheduled to begin producing pick-up trucks in 1998.

Yet with Ford producing vehicles whose main market is outside Bangkok and Thailand, it is Japanese carmakers, particularly Toyota and Honda, along with GM of the US, which would be most affected by the move. Toyota and Honda are using Thailand as the testing ground for a series of low-cost small "Asian-specific" cars targeted at first-time buyers. GM, while expecting to export most of the units from its new plant, cited Thailand's growing vehicle market as one of the main reasons for selecting the country as its centre for Asian production.

Mr Thaksin's proposal is politically risky in a city where people loathe the idea of state controls in areas of consumerism and life-style choices. But with several mass transit systems not scheduled to be ready until the end of the decade, even more traffic gridlock is imminent unless measures to limit car use are implemented, he said.

In the one year since Mr Thaksin has been in charge of traffic policy, more than 250,000 new cars have been registered in Bangkok, while the city has been able to construct new road capacity for only about one fifth of those new cars.

"I know this measure will upset many people," said Mr Thaksin. "But a drastic measure must be introduced quickly before Bangkokians have to begin walking to work."

Sugar imports tariff attacked in Australia

By Nikki Tait in Sydney

Australia's tariff on sugar imports is "difficult to justify" and provides a distorting transfer of wealth from sugar users and consumers to those involved in the sugar industry, an independent report on the sector has concluded.

The report was conducted by the Boston Consulting Group for a working party reviewing the sugar industry on behalf of the Australian federal government and the Queensland state government.

Traditionally, the sugar industry has been among the most protected in Australia's rural sector, although some reforms have already been implemented.

Although the consultants were not required to make recommendations, their report found little in favour of the tariff.

It said that "import protection provided by the tariff is redundant"; that the transfer of wealth had little justification; and that the tariff also "is poorly placed to offer assistance to the industry in periods of low world prices and is not well targeted".

However, the report was less damning about some of the other restrictions in the industry.

It said that cane supply arrangements in Queensland were "prima facie anti-competitive" but that even in the absence of regulation, there would not be a competitive market for most cane, given the transportation issues.

However, it also acknowledged that "a major consequence of the current arrangement is that, in some mill areas, season length may be shorter than that which could be considered optimal".

The report also found the raw sugar marketing arrangements – all sugar is sold to the Queensland Sugar Corporation – to be "prima facie anti-competitive".

But the effect of this compulsory acquisition and single-desk selling on sugar exports was to enhance export returns by as much as A$70m (US$55m) a year. "This is through the ability of the single-desk seller to manage the volumes its sells to each market in the interests of maximising industry returns."

In the domestic market, single-desk selling meant a higher price for the industry than it could earn on export sales. If single-desk selling was ended, "the domestic price would be likely to fall to "export parity", resulting in a loss to the sugar industry but a gain to sugar users and consumers.

Australia is the world's sixth largest sugar producer, and 95 per cent of its cane is grown in Queensland. Like Thailand and Cuba, it exports more than three-quarters of its output, largely in the form of raw – rather than refined – sugar.

The consultants' report will now be considered by the sugar industry review working party, which in turn will make recommendations to the federal and state governments later this year.

Hopewell sees progress in transport scheme

By Louise Lucas in Hong Kong and Ted Bardacke in Bangkok

Hopewell Holdings, the Hong Kong infrastructure company, has signalled progress in its protracted efforts to push on with its $3.2bn mass transit system for Thailand's capital, Bangkok.

This week the company will start negotiations with rail systems suppliers and export financing institutions in Europe. This follows last week's signing of three contracts for part of the work on the project.

Mr Colin Weir, engineering manager of Hopewell (Thailand) said the Thai government was no longer asking Hopewell to finalise financing for the project by July 16.

Instead, he said, the government had asked for proof of progress, including the signing of the latest three contracts for work on the project.

The contracts were signed in Hong Kong on Friday with Philipp Holzmann (Thai). They comprise a Bt22.5bn ($885m) civil system contract covering the road system and structures for the rail system, and two piling contracts each worth Bt1.5bn ($59m).

The Thai government and Hopewell have had several wrangles over the project – most recently concerning the route design near the residence of Thailand's King Bhumibol. The company also told the government that it could not finalise funding for the project without all necessary state approvals.

Early last week the government appeared to relent, sacking a deputy transport minister who had made threats to cancel the project.

With this obstacle removed, the company expects final government approval within the next 30 days and predicts the financing package will be completed by the end of the year.

Mr Gordon Wu, Hopewell chairman, is to start negotiations in Europe this week with suppliers in Britain and Germany, as well as with export financing institutions in both countries.

Under a project finance package tentatively arranged by NatWest of the UK and Germany's Kreditanstalt für Wiederaufbau, Britain's Export Credit Guarantee Department or Germany's Hermes will lend $1.2bn for the trains, while foreign banks are to be asked to lend $600m and Thai banks around $300m.

Hopewell itself is injecting equity of some Bt12bn ($472m) and plans an eventual listing on the Thai stock exchange.

Mr Wu has promised that the first three stages of the project, totalling 44km, will be fully operational by December 1999 and that the elevated highway portion of the system will be ready in 1998, in time for the Asian Games.

The company estimates the piling is 40 per cent complete and substructure work about 10 per cent complete. Overall, the project is 10-12 per cent completed.

Study stresses need to retain business autonomy after handover of sovereignty to China next year

HK 'must cut costs' to keep edge over rivals

By John Ridding in Hong Kong

Hong Kong has managed a smooth transition to an information-based economy but it must improve efficiency and reduce costs to maintain an edge over regional rivals, according to a study led by professors from Harvard Business School.

Mr Michael Enright, who led the study, said Hong Kong also needed to counter negative international sentiment relating to its return to China next year.

He said this perception had been fuelled by gloomy media coverage and by rivals such as Singapore, which are seeking to capitalise on uncertainties in Hong Kong in their attempt to attract multinational businesses.

In a positive assessment of Hong Kong's business prospects, the study cited the development of thousands of transnational companies that sourced production from the mainland and elsewhere in the region and provided high value-added services from headquarters in the territory.

"Hong Kong and Hong Kong firms act as packagers and integrators, organising industrial activities to match sources of supply and demand," said the study.

Dismissing claims that manufacturing had "hollowed out", Mr Enright argued that low value-added parts of the production process had been shifted offshore and that this had been achieved with minimal dislocation in terms of unemployment.

Concerning costs, the Harvard study concluded that office rent and salaries in Hong Kong were high compared with Shanghai, Sydney and Taipei, but were comparable with or lower than in Singapore or Tokyo.

Figures cited in the study

Office rents and salaries are higher than in some centres

estimated annual office rental costs per square metre in prime downtown locations at US$1,194 in Hong Kong, US$1,066 in Singapore and US$466 in Taipei.

The basic package for an expatriate financial manager is higher in Hong Kong than in Singapore, Sydney or Taipei.

Against this, Hong Kong continues to provide a tax advantage, with a basic tax rate of 16.5 per cent being the lowest in the region.

According to the study, however, many Hong Kong companies have not yet adjusted to operating in a high-cost economy.

"Many have not identified inefficiencies of past practice or incorporated cost-saving information and managerial systems," said Mr Enright. Workforce skills and training had also struggled to keep pace with the transformation of the economy, he said.

Two challenges cited by the Harvard study were:

- The need to improve the efficiency of the non-traded sector, from utilities to medical and legal services.
- The need to retain business autonomy after the handover on July 1 next year, when Hong Kong becomes a special administrative region (SAR) of China.

"Hong Kong's success as a business centre is imperilled if Hong Kong interests attempt to go around the SAR administration," said Mr Enright, referring to fears that business groups may lobby Beijing and bypass the post-colonial government on business decisions and contracts in the territory.

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HONG KONG AND REGIONAL RIVALS: COST COMPETITIVENESS

	HK	Shanghai	Singapore	Taipei	Sydney	Tokyo
Basic package salary range (US$)*						
Expatriate financial manager	271,774-402,484	308,304-429,690	224,609-321,733	211,840-251,427	196,213-200,213	
Local sales manager	89,297-110,004	6,293-9,469	89,489-138,494	61,519-78,014	76,832	
Senior secretary	25,883-30,575	4,746-5,684	27,344-32,670	17,475-21,157	31,521	
Corporate taxation**						
Basic tax (%)	16.5	33.0	27.0	25.0	36.0	37.5
Basis of taxation	Local	World	Local/remitted	World	World	
VAT/Sales tax (%)		17.0	3.0	5.0	11-46	3.0

Source: Vision 2047 Foundation. *Towers Perrin/Contsus. **Adapted from Coopers & Lybrand information

Concerns in territory grow as another top official steps down

By John Ridding

Hong Kong's director of immigration has retired from his post, adding to concern that the administration will be weakened by departures as the territory prepares for the handover of sovereignty to China on July 1 next year.

Government officials said at the weekend that the immigration director, Mr Laurence Leung, 55, had decided to retire for personal reasons.

However, some legislators said the surprise move came amid anxieties in the civil service about the handover and after a number of other departures.

Since the beginning of the year, the secretary of the civil service and the secretary for transport have both resigned. Last week, six civil service department heads said they planned to take early retirement ahead of July 1 next year.

Morale in the civil service was shaken earlier this year when a Chinese official said that senior members of the administration would have to support a provisional legislature which Beijing plans to establish in place of the existing elected body.

The civil service is regarded as one of the most important institutions in implementing a smooth handover and maintaining Hong Kong's autonomy under Chinese sovereignty.

Although Mr Leung was responsible for sensitive issues, such as nationality, passports and freedom of travel, officials said that his departure would not disrupt preparations for the handover.

Charity seeks Beijing baby milk probe

By William Lewis in London

Save the Children, the UK's largest international children's charity, has asked the Chinese government to investigate allegations that Nestlé, the world's biggest food processing group, has broken the World Health Organisation's code covering the sale of breast milk substitutes.

The charity alleges Nestlé's activities in Yunnan province, south-west China, have included "sending large quantities of free samples" of baby milk to local hospitals. This "led to the hospitals gradually adopting a new policy to use the free formula". Nestlé denies Save the Children's claims.

Save the Children, whose president is the Princess Royal, alleges that Nestlé now charges the hospitals for Lactogen, a baby milk formula, but less than the retail price.

"In some hospitals staff are insisting new mothers use Lactogen," the charity alleges. "Mothers who planned to breast feed their children are finding on their return from hospital that their babies have developed a preference for formula." Every mother, Save the Children claims, is given one package of Lactogen to take home. Save the Children states: "Nestlé are currently aiding and abetting the wholesale breach of the international code by inappropriate selling and distribution policies."

The charity's allegations are based on a detailed investigation into breast-feeding practice at seven hospitals in Kunming, capital of Yunnan, details of which were sent to Nestlé by Save the Children a year ago and have been seen by the Financial Times.

Nestlé, in its response to the allegations, cites the results of an independent investigation which it claims exonerates the company. Nestlé says some of Save the Children's allegations "could not be confirmed".

Save the Children, a member of the International Save the Children Alliance, says that its public move against Nestlé is *the first time it has directly* targeted one company during its involvement in the long-running baby milk issue.

Mr Michael Aaronson, the charity's director general, said last week that the charity had been in private correspondence with Nestlé for a year over the Kunming allegations. The charity has now decided to release details of its dispute with Nestlé.

Save the Children has for several years helped to fund an international pressure group which has sought to alter the way in which Nestlé, and other international consumer companies, market baby food. It argues that mothers, particularly in developing countries, who feed their babies with artificial milk could be endangering their children's health.

A spokesman for the World Health Organisation said that it was up to national governments to ensure that its code was observed. In October the Chinese government introduced its own national code governing the sale of baby milk, which experts say is tougher than the WHO code.

Following completion of the Kunming report, in July 1995 Mr Aaronson wrote to Nestlé stating that as a result of the company's marketing activities in Kunming "the use of formula in hospitals is now widespread. There has been a decrease in the incidence of breast feeding and a large increase in the consumption of Lactogen".

His letter concluded that "some of Nestlé's practices have been and still are in violation" of the World Health Organisation's International Code of Marketing of Breast milk substitutes.

Nestlé strongly denies Save the Children's allegations. On receiving details of the charity's allegations in July 1995, Mr Helmut Maucher, chairman of Nestlé, informed Save the Children that he had "ordered a full and independent investigation of the facts".

The investigators' report refutes most of Save the Children's allegations, but does state that "some hospitals certainly do not appear to be conducive to the promotion and protection of breast feeding".

In response to the Nestlé report, Save the Children submitted a seven-page letter to the company which stated that "far from resolving the misgivings", the report had added to *the charity's original concerns.*

In particular, Save the Children called into question the independence of Nestlé's team of investigators.

At the end of last month Nestlé responded to Save the Children, describing the charity's campaign as a "barren pursuit".

Shell plays for high stakes in Nigeria

It has to tackle local anger, hostage-taking and violence, reports Robert Corzine

Great corporate issues are rarely settled in remote African villages. But it is among the hundreds of hamlets and fishing camps that hug the meandering rivers and creeks of the Niger River delta in southern Nigeria that Shell, the Anglo-Dutch oil group, is tackling one of its most intractable problems.

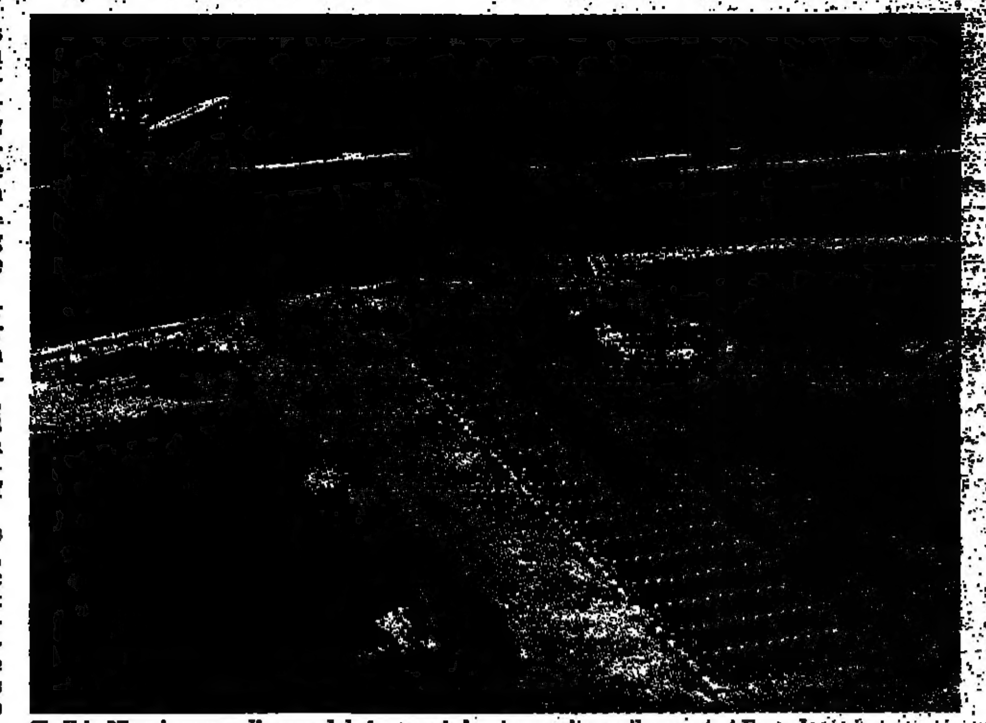
Last year's execution of Mr Ken Saro-Wiwa and eight other human rights activists from Ogoniland, one of the oil producing regions in the delta, focused international attention on Shell's operations in Nigeria, which is the company's largest single source of equity crude oil.

Opposition to Shell's role is not confined to Ogoniland, however. Many other ethnic minorities also complain that the company pollutes the environment, occupies scarce farming land and fails to ensure that the benefits of the region's vast oil wealth flow back into local communities.

"There is a lot of anger here," says Mr Precious Omuku, Shell's manager of community relations in Port Harcourt in the eastern delta. "They believe the nation's wealth is brewed here and they're not getting it."

The company's high profile in the delta makes it a favoured target for those who cannot challenge the military government directly. "The people see us as everything," says Mr Egbert Imomoh, the head of Shell's operations in the eastern delta, "whereas they see little or nothing of government or governments. Shell is all they see."

The huge natural gas flares that mark Shell's processing



Shell in Nigeria: upgrading work being carried out on a site on the coast at Forcados

stations in the region often serve as a beacon for disgruntled locals, who sometimes occupy them for days at a time.

Hostage taking is also prevalent. On one occasion last year an expatriate worker was locked in a shipping container for two days without food or water. Pipeline sabotage is another popular form of protest.

There have been 50 such "community disturbances" so far this year, resulting in the "deferment" of 1.78m barrels of oil and the loss of 274 project days, according to company statistics.

Shell staff in the delta are also a prime target of criminal violence, with some venturing out of the company's compounds at Warri and Port Harcourt at night only with armed police escorts.

Shell's Nigerian business is beset by chronic funding problems, a factor which helps fuel local unrest, say executives, because it limits environmental and social spending.

The Nigerian National Petroleum Company (NNPC) has a 52 per cent stake in the Shell-operated joint venture, which also includes Agip, the Italian company, and Elf Aquitaine from France. But NNPC owes the joint venture N12.7bn ($157m). And the shortfall is growing at a rate of N1bn a month, a level which is "very hard to finance for very long," according to Mr Wouter De Vries, Shell's finance manager in Lagos.

In addition, the Nigerian government recently cut Shell's NNPC-approved 1996 budget of $1.3bn to $960m. That, say executives, will cause production to fall from the present level of 920,000 barrels a day, nearly half the country's total oil output.

It will also add to the anger of delta residents. "If we have to cut production this year, I wonder what the reaction of the local people will be," asks Mr Steve Ollerearnshaw, head of Shell's operations in the western delta. "I hope they would remain peaceful."

When viewed against such a bleak background, a corporate withdrawal from Nigeria may seem more of a blessing than a burden. So why does Shell resist so fiercely international calls for it to do just that?

It is understandable that the company is reluctant to walk away from its 30 per cent share of a $14bn asset base built up over more than 30 years. Nor could it easily replace its share of Nigeria's oil, which represents about 14 per cent of the group's worldwide total equity output.

But it is the future rather than the present which explains the company's determination. Put simply, Nigeria offers Shell, the western world's largest oil company, opportunities to use its much vaunted technological, financial and project management skills on a scale that cannot be matched outside the Middle East.

Shell's proven oil reserves in the delta will last for 100 years at current production rates, and the company is more than replacing its output with new reserves. One billion barrels were recently added to the reserve base through new seismic surveys and reservoir studies alone. That contrasts sharply with the rest of the Shell group, which as a whole has failed to replace reserves in recent years.

Shell is also active in the deep water off the Nigerian coast, where geologic conditions are similar to those of the US Gulf of Mexico, one of the company's biggest exploration success stories of the decade. As many as 8bn barrels of oil might eventually be found in Nigeria's deep water, according to Shell geologists.

The company also holds massive reserves of natural gas, the fastest growing fossil fuel.

Some of the controversial gas flares that each day consume the equivalent of a quarter of France's gas consumption will soon be extinguished, with the gas diverted to a $3.7bn liquefied natural gas plant at Bonny, financing for which was due to be completed at the end of last week.

But unlocking that potential depends on the company's relations with the delta's population: "If the people ever took to the swamps and pulled out our flow lines, we would be dead," says Mr Omuku. "There is nothing we could do to stop them."

But is Shell's new campaign to win over the hearts and minds of the delta's population too little too late, as some critics claim?

The company plans to boost spending on both environmental and social projects. It also wants a better dialogue with the local population to stop future problems arising.

But the distrust that has built up over decades will not be easily eliminated. "On paper they want dialogue," says Mr Napaoleon Agbedetse, chairman of a local community group in the western delta, "but in reality Shell representatives still dictate to the people".

Overcoming such views promises to become a full-time job for Shell's senior managers in the delta. "The technical side of the job is easy," says Mr Ollerearnshaw. "It's the human issues that are hard."

Netanyahu's 'painful operation' on sick economy will hit defence, health and education hardest

Israel set to approve big budget cuts

By Julian Ozanne in Jerusalem

Israel's new government was set to accept sweeping spending cuts yesterday as Mr Benjamin Netanyahu, prime minister, pressed ahead with his commitment to liberalise the economy as the touchstone of his four-year administration.

The cabinet was expected to meet throughout the night to approve a round of cuts to the 1996 and the 1997 budgets as part of the government's determination to reduce inflation and ease rising current account and budget deficits. The budget cuts will fall hardest on defence, health, education and the programme of grants awarded to companies investing in developing areas.

Mr Netanyahu wants the cuts approved before he leaves for his first visit to the US as prime minister today. He will meet President Bill Clinton and officials of the World Bank and International Monetary *Fund and hold meetings with* investment banks on Wall Street. The government has already approved a Shk4.9bn ($1.5bn) cut to the 1997 budget, bringing next year's total budget, including debt servicing, to Shk170bn and aiming to reduce the overall budget deficit from 3.9 per cent in 1995 to 2.8 per cent in 1997.

In addition Mr Dan Meridor, finance minister, asked government colleagues yesterday to agree to a Shk350m cut in this year's budget, reducing spending to Shk172.8bn. He asked ministers to accept an across-the-board 2 per cent cut in their budgets for the rest of *this fiscal year ending December* 31.

The moves mark government recognition that cutting the budget deficit is the key to curbing a widening current account deficit, which rose last year to $4.1bn from $2.5bn in 1994, and stepping up the battle against inflation currently running at an annualised 14 per cent against a government target of 8-10 per cent.

Mr Netanyahu yesterday defended the budget cuts amid concerns of some ministers about social welfare, saying he had inherited an economy which was like a sick patient needing urgent treatment. "The situation will only worsen if the sick person will not undergo an operation," he said. "Every operation is painful but some are more painful than others."

Before yesterday's cabinet meeting the Treasury announced it had reached agreement with the defence ministry for a cut in its 1997 budget of Shk825m, bringing defence spending to Shk27.2bn. The Treasury also plans to save Shk850m from social security by temporarily reducing child allowances. Health spending will be cut by Shk500m and the education budget by Shk400m.

After conclusion of the budget decisions, the cabinet will decide whether to approve a new ministry of infrastructure for Mr Ariel Sharon, a hawkish former general, whose refusal to join the government in other portfolios has created the government's first political crisis.

OAU faces Burundi dilemma

By Michela Wrong in Nairobi

The Organisation of African Unity's (OAU) commitment to peacemaking on the continent will be tested as never before when African leaders gather in Cameroon today for its annual summit.

The three-day summit is expected to debate a still embryonic plan to send Tanzanian, Ugandan, Ethiopian and possibly Kenyan forces into Burundi to try to end the killing between the Tutsi-dominated army and Hutu-led rebels.

The proposal, which has caused a furore inside Burundi, represents a fundamental challenge to the organisation's founding charter, which pledged to avoid interference in members' "internal affairs".

But with the west showing a growing disinclination to tackle Africa's problems, the OAU has come under pressure to develop "conflict resolution" mechanisms of its own.

In a sign of the new thinking, Mr Salim Ahmed Salim, OAU secretary-general, has said he *would support military* intervention in Burundi if the mission had clear objectives and was backed by the UN.

There is little doubt a regional deployment in Burundi would win UN support. Mr Boutros Boutros Ghali, the UN secretary general, has repeatedly warned the country is on the verge of a Rwandan-style genocide but has failed to muster more than promises of funding from developed nations.

But the aims of an East African operation and its chances of success are looking increasingly murky since Burundi's government appealed for outside help at a regional summit last month, breaking the deadlock preventing intervention. However, Burundi's Hutu president and Tutsi prime minister have clashed over what precisely was requested. The Tutsi-led UPRONA party has called for President Sylvestre Ntibantunganya's resignation, accusing him of wanting to "neutralise" an army regarded by the Tutsi community as its only protection against annihilation.

At the weekend Mr Yves Haesendonck, Belgium's special envoy to the region, voiced his "profound worries" and said "divergent interpretations" risked scuppering the security assistance plan being drawn up by East African governments. Leaders face another dilemma, whether faction leaders in Liberia should be tried by a UN war crimes tribunal for atrocities committed in the civil war. As in Bosnia, the plan risks undermining attempts to persuade key protagonists to come to the negotiating table.

Nations try to get to grips with failure on emissions

By Leyla Boulton, Environment Correspondent

When 150 countries meet in Geneva today for negotiations on how to combat global warming, the developed world will have to get to grips with its own record of failure.

Only Germany and the UK are set to honour a pledge made by the industrialised world at the Rio Earth summit four years ago to stabilise emissions at 1990 levels by 2000.

Ms Eileen Claussen, US assistant secretary of state responsible for international environmental and scientific affairs, concedes that the US is one of a number of countries that has a "sorry tale to tell".

Ahead of the US presidential and congressional elections this November, Washington has even made retrograde steps – scrapping both national speed limits and a modest tax on petrol.

The US has also been in disagreement with the European Union, whose richer members favour domestic taxes on emissions of carbon dioxide – the most important greenhouse gas.

The unlikely prospect of fast progress also throws light on why some energy industry lobbyists and scientists are challenging the latest findings of the International Panel on Climate Change, set up by governments to investigate the problem.

The main butt of the criticism has been a phrase in an IPCC summary for policymakers that the "balance of evidence" suggests mankind has a "discernible" influence on global climate.

> 'This is a long-term issue that will probably require technological improvement . . . but you have to set goals *in the short term to get what you want in the long term*'

"The energy lobby is running scared even though everybody knows nothing really is going to be done about global warming in the foreseeable future," says one senior UK official.

Sir John Houghton, the British co-chairman of one of the IPCC's main working groups, points out that the offending phrase – challenged for instance by the World Energy Council – was agreed by officials from 96 countries at a meeting which he chaired.

The IPCC, which groups the world's foremost scientists in the field, posits that the earth's temperature could warm by 2°C over the next century.

Over a long period this could cause rising sea levels, an increase in airborne disease, affect crops and water resources. It would hit poorer countries in the southern hemisphere hardest.

But the IPCC also recognises just how little the scientific community knows about the problem's likely impacts on different parts of the world.

Until more is known, it is suggesting that at the least the world should adopt "no regrets" policies that would cost nothing but have beneficial side-effects, even if fears about global warming prove unfounded. These include promoting energy efficiency and phasing out costly energy subsidies.

Until specific targets, timetables, and policy tools are agreed, it is difficult to put an exact price tag on the likely cost of further abatement measures.

Even the IPCC's working group on the socio-economic impact of climate change has estimated that stabilising emissions at 1990 levels over differing periods could save developed countries as much as $60bn or cost them as much as $240bn.

Reducing them below 1990 levels could cost the equivalent of several per cent of GDP.

However the main argument for starting action now is that it can take up to 100 years to get rid of some carbon dioxide that has built up in the atmosphere, warming the climate.

"Industry should see this as an opportunity and not stick its head in the sand," said Sir John. "We believe this is a long-term issue that will probably require a technological improvement to solve it," said Ms Claussen.

"But you have to set specific goals in the short term in order to get what you want in the long term."

New drugs hold 'hope of cure'

The world is entering an age of new hope that Aids could be conquered, according to Mr Peter Piot, executive director of the joint UN programme on HIV/Aids, writes Daniel Green.

"We haven't got a cure yet, but new combinations of drugs are holding out new hope," he said at yesterday's opening ceremony of the Eleventh International Conference on Aids in Vancouver.

The conference, the world's biggest on HIV/Aids, is set to hear of significant progress in the understanding and treatment of HIV infection and Aids.

Mr Piot warned that optimism should be tempered with the knowledge that there are 22m carriers of the Aids virus HIV, and more than 3m more are expected to be infected with HIV in 1996.

Most of the new victims are between 15 and 24 years old, with 90 per cent in developing countries. Between 75 per cent and 85 per cent of infections arise through unprotected sex.

Mr Piot urged developing country organisations to mobilise, taking the effectiveness of Aids activists in developed countries as their model.

He said many of the failings of Aids treatment now lay in distribution rather than technology.

Most of the drugs needed could be made available "if governments had the right drug policies, if doctors prescribed appropriately".

Some countries had managed to change the habits of whole populations in their efforts to limit the spread of HIV.

In Thailand, the number of men visiting prostitutes had fallen by half and annual infections were running at one quarter the rate of 1990.

In Australia, HIV levels had remained under 5 per cent among injecting drug users, and rates of infection in homosexual men were low and stable.

Ground starts to shift in Aids debate

Vancouver talks may prove a turning point in fight against disease, writes Daniel Green

Nobel prize contenders, film stars and body-pierced activists were among the 15,000 people gathered yesterday in Vancouver, Canada, for the world's biggest Aids conference.

The week-long Eleventh International Conference on Aids is likely to be a very different affair from its predecessor in Yokohama, Japan, in 1994. The tenth conference was sparsely attended and its atmosphere gloomy.

Today there is a sense of optimism.

The last few months have seen the launch of new drugs that appear to have a powerful effect in stopping the progress of the disease.

Called protease inhibitors, they are made by Merck and Abbott Laboratories of the US and Roche, the Swiss drugs company.

On their own, these drugs do not seem very effective.

However, when given in combination with other drugs, such as AZT, the oldest Aids drug, they appear to overwhelm the HIV's defences.

Source: unaids

AZT is made by Glaxo Wellcome of the UK, whose new drug, 3TC, also works well in these combination therapies.

It is still early days. Many patients have been taking the combinations for a matter of months only. The results from long-term trials will be among the centrepieces of the conference.

There has also been exciting progress in the scientific understanding of HIV in recent weeks.

Research papers published in the journals Nature and Science seem to answer some questions of how the Aids virus works and why some people succumb while others do not.

Scientists have known since the 1980s that HIV enters cells of the immune system through a gateway called a receptor.

The latest research shows that the virus needs at least two receptors to work. One newly discovered receptor acts as a gateway to naturally occurring proteins called chemokines.

People who produce plenty of chemokines are resistant to HIV, implying that the chemokines can block the gateway used by HIV perhaps for years.

Now the hunt is on for more receptors, each one of which could point to a way of blocking HIV.

These advances in understanding and treatment raise new issues. HIV/Aids may eventually be seen by doctors as an ordinary disease such as high blood pressure or ulcers, both of which were potentially lethal before being brought under control by drugs derived from better understanding of the disease.

Aids activists are now debating whether the headline-grabbing stunts used in the past will continue to be appropriate. Some argue that persuading governments to help pay for the new treatments rather than for yet more research needs a more diplomatic approach.

The economics of treating Aids is likely to be a focal point of the conference too. There are at least five drugs on the market where there was only one a year ago, but there is unlikely to be a rapid rise in spending on the drugs.

The issues of pricing and payment are important to the companies that developed the drugs as well as their customers, the patients and governments.

The Vancouver conference may see a shift in the focus of debates on Aids towards practicalities such as health economics and drug regulation.

If so, it would mark an historic transition: Aids would have begun on the long journey from being the most frightening and potentially dangerous disease of the late 20th century to something which is understood and controlled.

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Nigeria

OAU
Burundi
dilemma

Finance minister says he will not put long-term economic recovery at risk

Prospect of tax cuts played down

By James Blitz and Peter Marsh

Mr Kenneth Clarke, the UK chancellor, yesterday admitted that the prospects for tax cuts in this year's Budget were not good because Treasury officials had underestimated the extent of this year's budget deficit.

As the chancellor prepares to unveil the Treasury's summer economic forecast tomorrow, Mr Clarke said he would not cut taxes if this endangered Britain's long-term economic recovery or his goal of eliminating the government's budget deficit in the medium term.

Speaking on BBC Television, Mr Clarke said that a tax-cutting Budget was "not a complete non-runner". But he added that the chances of reducing taxation were "not very good" either.

"I am not going to do it if it will drive up our borrowing or delay the real economy out there doing good," he said.

The chancellor acknowledged that the summer economic forecast would revise upward his estimate of the government's public sector borrowing requirement this year.

He admitted that the upward move was partly due to an unexpected shortfall in revenue, especially receipts of value added tax, but said the source of the problem was still unclear. He said that his officials "got their estimates wrong".

He added: "This time the tax did not come in as they expected before. It may be that there is some increase in evasion but there is no evidence of it. It may be people's spending patterns are different this time compared to the last recovery."

Leading economists said yesterday that the shortfall in tax receipts and weaker than expected growth would mean Mr Clarke would be forced to increase his estimate of the government deficit in 1996-97 to about £26bn ($42bn), some £5bn above his forecast in the November Budget.

Even though this would reduce the room for tax cuts in the November Budget, the economists expected the chancellor to put an optimistic gloss on the UK's economic prospects, highlighting the progress towards lower inflation and interest rates.

Mr Steve Hannah, the chief economist at IBJ International, the European branch of the big Japanese bank, said: "Mr Clarke will find he has some leeway for tax cuts, but no more than £2bn-£3bn, and they won't set the world on fire – or do much for the Conservatives' election chances."

Mr Paul Chertkow, the global head of currency research at UBS, the Swiss bank, said that in spite of the gloomy news on the deficit, Mr Clarke would be able to proclaim the return of the "feel-good factor" among consumers that would help keep UK economic growth fairly high this year and next.

According to UBS's projections, the economy will expand 2.8 per cent this year and 3 per cent next year – which Mr Chertkow says is creditable by the standards of much of Europe.

The chancellor versus the forecasters

1996 Budget forecast compared with current consensus of independent forecasts

Constant prices % change on 1995	Budget forecast 1996	Consensus forecast 1996
Consumers' expenditure	[illegible]	[illegible]
Fixed investment	4.25	3.2
Change in stockbuilding (% of GDP)	[illegible]	[illegible]
Exports of goods and services	7.25	3.7
Imports of goods and services	6.75	[illegible]
Gross domestic product	3	2.3
Manufacturing output	[illegible]	[illegible]
RPI 4th quarter (excluding mortgage payments)	2.5	2.7
Balance of payments current account £bn	[illegible]	[illegible]
PSBR financial year £bn	22.5	26.9

Source: Treasury

Kenneth Clarke: his officials "got their estimates wrong"

Four-wheel switch will test Rover chief

Boosting sales is one challenge facing Walter Hasselkus when he takes the helm

If obscurity were the main criterion for choosing a new chief executive of Rover, the British carmaker owned by BMW of Germany, then Mr Walter Hasselkus would find his name high on the list.

Mr Hasselkus, who will take over on September 1, is neither British, nor, at 54, particularly young – contradicting two of the selection criteria mooted by BMW when it announced that Mr John Towers, the previous chief executive, was stepping down. Moreover, as the head of BMW's motorcycle division since 1993, Mr Hasselkus's most recent automotive experience has been on two wheels rather than four.

As the former head of BMW's UK distributor in the 1980s, and head of its big South African operation, Mr Hasselkus's appointment has, nevertheless, been broadly welcomed. He is a trained lawyer who has been on BMW's board since January, and his long career in the group spans sales, marketing, and manufacturing. In the UK, he is well remembered as an approachable motivator of younger staff.

But running Rover will be much tougher than managing BMW's well-oiled motorcycle division. In the two months before moving to his new job, Mr Hasselkus will have to brush up on four main issues.

Improving Rover's financial and commercial performance will be his two top priorities. For the first time in years, the company has a broadly competitive model range, deriving largely from its former co-operation with Honda. Its two most recent models, the MGF convertible and the Rover 200 hatchback, which were developed internally, also show that the company can boast engineering and product development skills.

Walter Hasselkus: a long and varied career with BMW

The task for Mr Hasselkus will be to build on those talents in the marketplace and sell more cars. Rover reported a DM335m ($220.3m) pretax loss on BMW's books last year. That was largely because its capacity far exceeds its sales. Although registrations have risen in some parts of Europe and in Japan, the company continued to lose share in the UK, its biggest market.

Mr Hasselkus's two other main tasks are also intertwined. He must exploit the technical and commercial benefits of belonging to a bigger group while safeguarding Rover's individuality.

That will involve differentiating the two brands much more adroitly. Although distinctions exist – such as between BMW's rear-wheel drive technology and Rover's front-wheel one – the latter's present brand image remains fuzzy. BMW has hinted that Rover could focus more on foreign markets where the German marque remains too expensive, or develop along the lines of Audi, BMW's up and coming, but distinctive German competitor. Yet both strategies remain ill-defined: implementation is even more sketchy.

In the longer term, BMW may also want to redefine its organisational links with Rover. Mr Hasselkus's appointment means there will be two BMW board members with Rover responsibilities, as Mr Wolfgang Reitzle will remain as non-executive chairman.

The surprise arrival of another German as chief executive could allow Mr Reitzle, BMW's research and development supremo, to take more of a back seat at Rover. Some German observers believe that he may be growing too involved with Rover's everyday affairs. A full withdrawal by Mr Reitzle could even leave the Rover chairmanship open to a senior UK industrialist or politician, who might provide just the figurehead to emphasise the company's British image, in spite of its growing German affiliations.

Haig Simonian

Smaller companies display confidence

By Richard Gourlay

Britain's leading owner-managed businesses are in robust health and investing strongly, according to a survey by KPMG, the accountancy firm.

Operating profits grew by an average 18 per cent and sales by 13 per cent during the past 12 months, the survey says, while investment in fixed assets showed "powerful evidence of management's confidence in the future of British business".

The survey suggests that the layer of small and medium-size private companies, which is responsible for an important share of gross domestic profit and employment, has emerged from the recession bruised but with renewed vigour.

"Cost controls, wise investment, technological innovation and improved products and services and marketing skills" are cited as reasons for the strong performance.

Growth in sales was fastest in the south-east of England where turnover rose 15 per cent on average. The west of England enjoyed the fastest growth in operating profits – up 34 per cent – followed by the Midlands.

"After the boom-and-bust years of the 1980s and early 1990s, UK Ltd is now flourishing in the more stable environment generated by the shallower economic cycle," the report says.

Owner-managed companies are making the most of a stable domestic economy, and more are using this base as a platform for international expansion.

One example is Cannon Rubber, a maker of car mats and babies' bottles in north London, which has sales of about £43m ($64.5m). The decline of the pound has helped sales in the US. But the main growth has arisen in the UK.

"Sales are up 20 per cent and profits have doubled in the last year," said Mr Edward Atkin, the managing director.

Report available from KPMG. 0161-838 4000.

UK NEWS DIGEST

Stances harden in BA dispute

The chances of an early resolution to the strike threatened for next week by British Airways' pilots remained slim yesterday with attitudes on both sides appearing to harden.

With the indefinite strike only nine days away, there were no signs that either the airline or the British Airline Pilots' Association, which represents nearly all BA's 3,500 pilots, were ready to make concessions. There was no contact between the two sides at the weekend and there are no plans for meetings this week.

BA yesterday again offered "completely unconditional and unambiguous" talks to try to avoid a dispute which will cause widespread disruption to air travellers. But it complained that improvements in the deal which were offered last week to short-haul pilots operating from Gatwick airport, near London, had not been put to the vote. The airline urged Balpa members to call on their union to restart discussions. It has offered a 3.6 per cent rise to all employees this year and an inflation plus 0.5 per cent deal next year. Balpa said it was ready for more talks but insisted there had to be something new to discuss.

Michael Cassell, London

■ LABOUR PARTY

Leader faces revolt on pay

Mr Tony Blair, the leader of the Labour party, was last night facing a revolt from within his parliamentary party on the issue of MPs' pay. In spite of attempts by Mr Blair to tighten his grip on the party, members of the shadow cabinet and other Labour MPs said they were preparing to defy the leader's backing for a modest pay rise this week.

Mr Blair has said he will vote in favour of a government motion on Wednesday to give members of the House of Commons a 3 per cent pay increase. This would throw out a recommendation from an independent pay review body that salaries should rise by around £10,000 ($15,600) per year.

Meanwhile Lord Nolan, whose report on MPs' outside interests led to curbs in their business dealings, has decided to resign as chairman of the committee on standards in public life next year. Aides say Lord Nolan will not seek a renewal of his term when it expires in October 1997 – three years after he was asked by Mr John Major, the prime minister, to look into the ethics of politicians and officials from other public organisations.

James Blitz

■ NORTHERN IRELAND

Protest as march halted

Northern Ireland was last night braced for widespread protests by Protestant pro-British people, known as Orangemen, after police stopped a parade by them marching through a Roman Catholic area. As the stand-off and intermittent scuffles continued outside Portadown, Orangemen from across the province were mobilising behind one of their leaders, the Rev Martin Smyth, the MP for South Belfast.

Mr Smyth appealed for calm but hinted that his followers were prepared to break the law in a bid to win the right to march along their traditional route. "If the security services can block roads so can we," he said.

Meanwhile, Sir Patrick Mayhew, the Northern Ireland secretary, announced that he is to stand down as an MP at the next general election. He announced his decision at a meeting in his Tunbridge Wells constituency in south-east England. Sir Patrick, aged 66, is one of the oldest members of the cabinet.

Press Association

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THIS WEEK

Allies at odds over extradition

DATELINE

Rome: The Italo-US extradition treaty may have to be scrapped after a decision by Italy's constitutional court, says **Robert Graham**

It is rare indeed to witness Italian politicians and the media clap hands and exclaim justice has triumphed. Yet this has happened in the case of Pietro Venezia, a 44-year-old emigré from Puglia, who has successfully fought off extradition proceedings to face a murder charge in the US.

Venezia's two-year battle against extradition has been portrayed as the victory of European humanitarian values over the American ethos that crudely embraces capital punishment. The outcome is thanks to a ruling by the Italian constitutional court which, in an unprecedented judgment, decided 10 days ago that Italy's 1983 extradition treaty with the US was not applicable to Venezia because it contradicted his inviolable right to life enshrined in Article 27 of the 1948 constitution.

"Court defies US" was the typical tone of newspaper headlines. Former head of state Giovanni Leone, who had personally intervened requesting the court's benevolence to Venezia, declared: "This is an historic sentence that does honour to Italy."

Others commented in a similar vein. "This sentence reiterates without a shadow of doubt the principle that our judicial system completely rejects the death penalty," said Giovanna Melandri, the social affairs spokeswoman of the Party of the Democratic Left, the main partner in the Prodi government.

The reverse side to such noble sentiment has been a latent jingoism directed against the American way of life. The Italian media have always tended to cover US death row agonies and executions with morbid fascination, which is accompanied by a genuine abhorrence of capital punishment.

But attitudes to the Venezia affair have also been influenced by frustration over the case of Silvia Baraldini, an Italian citizen imprisoned in the US on terrorism charges. For several years the Italian government has been vainly seeking to have Baraldini transferred to Italy so that she can serve the remainder of her sentence on home soil. The Italians put US reluctance to grant the request down to a belief that her jail treatment in Italy would be too soft.

Unfortunately, US suspicions have been reinforced by the escape of a Palestinian terrorist – found guilty of murdering an American Jewish tourist during the hijack of the Achille Lauro cruise liner – from an Italian prison while on weekend leave.

Venezia had been living in the US for some 20 years, latterly building up a successful restaurant business in Miami. As a result of an investigation into the earnings of his Miami restaurant by a Florida state tax inspector, he was given a heavy fine. His bank accounts were then frozen. Enraged by this, Venezia called upon David Bonham, the tax inspector, two days before Christmas 1993. During an argument Venezia shot Bonham dead.

Venezia never denied the killing but subsequently claimed he was being persecuted by the tax inspector and that he shot only in self-defence. His lawyers said the tax inspections began after he had made a deposition – under FBI pressure – about certain allegedly corrupt judges who frequented his restaurant.

A warrant was issued for his arrest on a charge of first degree murder. Florida being one of the 37 US states with the death penalty, Venezia fled, eventually reaching Italy. In April 1994 he was arrested by Italian police on an international arrest warrant.

In November 1994, a local appeals court conceded a US extradition request. Venezia's lawyers took the case to the national court of appeal, but 12 months later this court too accepted the US request. As a result Lamberto Dini, the then prime minister and the acting justice minister, signed the necessary documents last December for Venezia to stand trial in the US. The move was made after the US Justice department had given undertakings that Venezia would not face execution.

However, by the end of last year, Venezia's lawyers had built up a vocal anti-extradition campaign with strong cross-party backing in parliament. In March they managed to block the extradition order by going to the Rome regional administrative tribunal. The decision ensured the case was heard in the constitutional court, which has found in favour of Venezia.

As a result, Venezia, currently in the political detainees wing of Rome's Rebibbia jail, will be tried on Italian soil, probably in the southern city of Taranto. The trial will be based upon the evidence provided by the Miami attorney-general.

In public, the US government has expressed "disappointment" over the decision. But in private there is a palpable sense of irritation. The US authorities say the Italian constitutional court decision paid no heed to article six of the American Constitution. This can be interpreted as giving an international treaty supremacy over the laws of individual US states. In other words Florida's death penalty does not apply in the context of the Italo-US extradition treaty.

This, however, is precisely what the Italian constitutional court refused to acknowledge in making its judgment. As a result the entire extradition treaty may well have to be scrapped.

So much for understanding between close allies.

PEOPLE

Much more to the man than cameras

Christopher Brown-Humes on Sir Stanley Kalms, the colourful and controversial chairman of Dixons

He is one of Britain's best-known retailers, a passionate free marketeer, a staunch Tory, and a towering figure in Britain's Jewish community. He has variously been described as an autocratic bully, a generous benefactor and a 19th century moralist.

One thing is certain, Sir Stanley Kalms, the Dixons chairman, is one of Britain's most colourful and controversial business figures. Whether speaking out against a federal Europe, attacking strict corporate governance rules, or calling for the resignation of Britain's chief rabbi – as he did earlier this year – he is often hitting the headlines on issues outside his core electrical retailing business.

But it is Dixons, Britain's leading electrical retailer with a 17 per cent market share, that has given Kalms his platform and which brought him his knighthood earlier this year. He has built up the group from one store in London's Edgware and a weekly turnover of £105 in 1948 to 800 stores and an annual turnover of about £2bn today.

The success will be confirmed on Wednesday when the group is expected to report record profits of £130m-£135m, well ahead of last year's £100m in spite of a generally difficult retailing environment. "The business has never been going better," he says.

A symptom of the group's recovery after a difficult period earlier in the decade has been the near doubling of its share price in the last year and its re-entry this year into the FT-SE 100 rankings.

Kalms puts his success down to persistence, a good eye for detail, a highly competitive nature and "knowing exactly what the customer wants".

Indeed, he even considers his famed inability to work the computers he sells a business advantage. "When I started out in 1948 I went to a photography industry trade show and was told you cannot be a successful salesman unless you are personally an expert in photography. But I believe it's important not to let personal prejudices influence selling a product. You don't have to be a practical user to sense what a market wants."

Being a successful retailer, he suggests, is all about being price competitive, offering good service, having good systems.

Milestones in the company's history include the 1962 stock market listing, which made Kalms a millionaire when he was just 30. Expansion continued throughout the 1960s and 1970s but the key acquisition was Currys in 1984, which added 613 retail outlets to the group.

But there have also been notable failures. Just two years after buying Currys, Kalms made an abortive £1.8bn attempt to buy Kingfisher, another big electrical retailer. When that failed, Dixons moved instead to acquire Silo, the third largest power retailer in the US. But this proved to be a disaster, leading to huge write-offs and the subsequent sale of the business.

Dixons has moved a long way from the camera business on which its fortunes were founded. It sells every high-tech, modern age gadget you can think of from TVs and videos to computers, camcorders and mobile phones. Its four chains are all "in a state of dynamic expansion", according to Kalms. They include: Dixons, with its strong high street presence; Currys (increasingly an out-of-town rather than a high street business); PC World (a computer specialist) and The Link (a communications specialist).

Expansion this year alone will cost up to £120m with PC World being developed particularly aggressively. Kalms says: "I see no limit to bigger and better. More markets, new store concepts, better ways of doing things – and there are always new technologies round the corner." His current passion is the digital TV revolution, opening up huge wide and flat screen TV sale possibilities.

There is clearly plenty to occupy Dixons in the UK for the moment, but Kalms says expansion in Europe is within the group's medium-term sights.

Kalms is a non-executive at British Gas, chairman of a NHS hospital trust, and a member of the Funding Agency for Schools. The last reflects his strong interest in education and is reflected in his backing for the Dixons Bradford City Technology College.

"The college is my greatest single success," he says. It draws on children with very different abilities and ethnic backgrounds but aims to ensure every one of them gets a job. The concept goes to the heart of Kalms' idea of a virtuous circle at the centre of the successful market economy: wealth funding a school which produces the skills to create more wealth.

One of the main issues pre-occupying Kalms at present is Europe. He says he has moved from Eurosceptic to Euro-resistant as his fears about a federal Europe have grown. He is pro single market, but anti single currency and particularly anti Brussels bureaucracy. "I cannot see that a federal Europe is likely to be a peaceful or long-lasting system. The concept of a federal Europe is fundamentally unsound. It is apparatchik-driven," he says.

But he is not about to sign up to Sir James Goldsmith's referendum party. "Sir James is a protectionist. I am a free trader. And I don't believe in the simplistic approach of a referendum."

Another bugbear is stakeholding which Kalms sees as a form of collectivism and the antithesis of a market economy. He resents it because it is overly prescriptive and its "duty of care" concept is too broad. It is the same objection to the rigidly prescriptive that has led Kalms to take issue with some of the recommendations of the Greenbury committee on corporate pay.

Kalms admits his overriding mantra is the market economy – but he seeks to put some distance between himself and the free market's most fervent disciple, Lady Thatcher. He talks of improving some of the "weaknesses" of the Thatcher era and of doing more to ensure equality of opportunity. "We have to make sure the safety net doesn't let anybody drop through, but on the other hand the mesh is perhaps too fine at the moment," he says.

Wednesday's results from Dixons will be the last before Kalms turns 65 in November. But thoughts of stepping down, or even easing off, could not be further from his mind. "The time to step down will be when I get tired of doing the 70-80 hour week I do now... I still feel I have something more to contribute to the country. I would like my epitaph to be more than just 'he sold a lot of cameras'."

Sir Stanley: 'I see no limit to bigger and better'

NAMES IN THE NEWS

Kirch nets World Cups without too much worry

Leo Kirch, the German media mogul, did not seem too worried about the outcome of his bid to clinch the 2002 and 2006 World Cup television rights outside the US last Wednesday, which he and ISL, the Swiss group, won for SFr2.8bn (£1.4bn), writes **Judy Dempsey**.

Instead of lobbying in Zurich where Fifa, the world football governing body, was offering the rights, Kirch was in Berlin, where he was sitting comfortably on the podium at the annual general meeting of Axel Springer, the German media group in which Kirch holds a 37 per cent stake.

He may have calculated the votes would go his way because of the conspicuous absence in Zurich of Gerhard Mayer-Vorfelder, vice-president of the German football league.

Insiders say Mayer-Vorfelder stayed away from Zurich because no matter which way he voted he would not be able to please either side. If he voted in favour of the European Broadcasting Union – which apparently offered SFr2.2bn – he would have denied his Fifa colleagues lots more cash.

Had he voted for Kirch, he would have invoked criticism from those who believe Kirch already wields enough power and influence in television.

After all, Kirch, who will be 70 in October, already holds a 43 per cent stake in Sat-1, Germany's independent commercial television, a stake in Deutsches Sportfernsehen, a German sport television channel and a stake in Mediaset, the media subsidiary of Silvio Berlusconi's Fininvest. And he is poised to launch Germany's first digital pay-TV service later this month.

Hard days ahead for Air France chief

There can have been few more gruelling days in Christian Blanc's varied and distinguished career than last Thursday, writes **David Owen**.

After a morning spent explaining to employees why a merger between Air France and its domestic partner was necessary, he emerged, tired and hungry, to be confronted by a scrum of TV cameras and sharp-elbowed reporters.

It is the first of several tough days the Air France chairman can expect to endure in what will be a vital summer for the state-controlled airline's prospects. While many of his fellow countrymen and women will be off on their *grandes vacances*, Blanc, 54, will be working out the details of his proposed restructuring.

There is a good chance, moreover, that he will be scrambling to keep as many Air France Europe flights as possible in the sky in the face of strike action. A statement signed by 11 of the company's 14 trade unions last week rejected the merger, branding it a "new management diktat". Air France Europe has already been subject to two 24-hour strike calls within a week.

It was a bitter strike in 1993 that forced the resignation of Bernard Attali, his predecessor. Blanc may have an ace up his sleeve, however: the reaction of Air France workers to his plan has been much less hostile, with some unions backing it.

Blanc believes his lack of specialist grounding in the airline industry, prior to joining Air France in October 1993, works to his advantage, enabling him to look at problems with fresh eyes.

He learnt many of his negotiating skills in the hothouse of New Caledonia, where he co-ordinated the work of the extraordinarily successful conciliation mission dispatched by Michel Rocard, the then Socialist prime minister, in 1988.

He has turned down several key posts over the years, including the offer of ministerial office and the chance to be head of the French secret service.

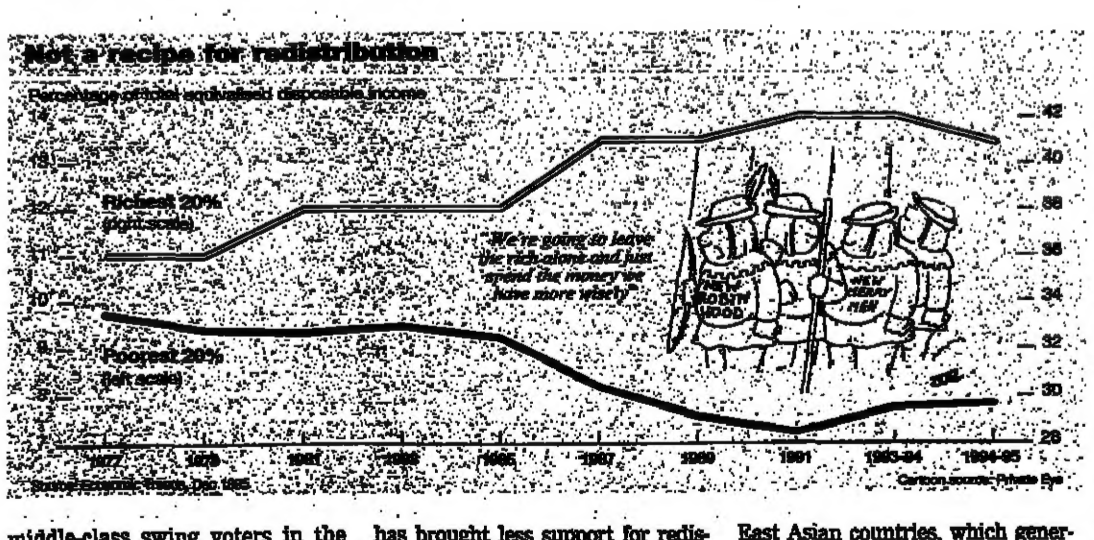
Stephanie Flanders · Economics Notebook

New Robin Hood

Why redistribution from rich to poor should have more fans

Labour leader Tony Blair produced a 'not the manifesto' document last week which, fittingly enough, was defined by what it did *not* say. No large-scale meddling with the market, no big spending pledges and no, repeat *no*, "penal" redistributive taxes on high earners.

Within the new Labour party redistribution from rich to poor seems to have acquired the same status as industrial policy and nationalisation. That is, as a policy frowned upon in all except rare cases of market failure. By rights, however, the rise in the inequality *of incomes* since the 1970s ought to have made redistribution rather easier to defend, politically and economically.



Consider, first, the political side of the equation. As Gilles Saint-Paul, a French theorist, has noted*, one would tend to expect increases in inequality to lead to a *rise* in electoral support for redistributive taxes. This is because of its effect on the pivotal, or swing voter, who sits precisely halfway up the income distribution.

Typically, this median voter's income will be somewhat lower than "average earnings". In the UK, for example, average weekly earnings in the spring of last year were £337, whereas the median earner made only £290 per week. As long as people at the median earn less than the average, they should favour redistribution of income from the rich to the poor since, on balance, this would make them better off. Rising inequality will usually push them ever further from the average and, thus, further into the redistributive camp.

So much for the theory. In practice, as we have seen, wooing middle-class swing voters in the 1990s means promising tax cuts for the many and tax rises, if at all, only for the very few. This is probably because, in the real world, the pivotal voters lie somewhere above the median, because the poor – being younger, often, or less-educated – are less likely to vote than the well-off.

Saint-Paul adds a further, related explanation, pointing out that higher inequality will not necessarily build support for redistribution if it mainly affects only one segment of disenfranchised – "underclass" – voters. Some of the middle class may fall into poverty, but the rest, who remain politically decisive, may well end up favouring *fewer* transfers to the poor. He speculates that it is because the increase in inequality of recent years has mainly hurt those at the bottom of the income scale that it has brought less support for redistribution rather than more.

We have seen the political consequences of this rather unsavoury calculation by the swing voter. But what about the economic ones? Free market economists, of course, have welcomed the wholesale turn away from redistribution, on the grounds that, in the long run it will spell faster economic growth from which all will benefit.

Their reasoning is that the wider gap in earnings between rich and poor gives the poor a greater incentive *to* "get on their bikes", investing time and money to find the jobs and skills needed to move up in the world. This, in turn, will mean faster economic growth, so long as meddling, redistributive policies, do not get in the way.

Oddly, perhaps, some have found indirect support for this theory in the fact that over the past 30 years East Asian countries, which generally started out with low levels of income inequality, have tended to grow much faster than highly unequal Latin American ones. Inequality, it is argued, led to greater pressure for redistribution, which reduced individuals' incentive to invest in human capital and led to slower growth.

The trouble, as Roland Bénabou, at New York University notes in a forthcoming article**, is that neither the theory nor the supporting evidence quite fits the facts. First, unequal societies do *not*, by and large, engage in more redistributive transfers and expenditures, probably for many of the same political reasons listed above. Examining cross-country data, he finds no positive link between the level of income inequality in a country and the share of government transfers in GDP. In fact, it is usually countries with the lowest, pre-tax inequality – in Continental Europe, for example – that have the highest share of transfers. Conversely, the US has a very high degree of pre-tax inequality, coupled with one of the lowest share of government transfers.

Bénabou's second piece of evidence poses an even greater challenge to the anti-redistributive school. Far from discouraging economic growth, he finds a positive relationship between government transfers (including spending on social insurance, education and pensions) and economic growth.

This makes no sense at all from the free market perspective. It does, however, fit rather well within a framework that accepts the market can fail when it comes to the poor. People who are unemployed, or on low earnings, will find it difficult to borrow money to pay for further education, to search for jobs, or to insure themselves against unemployment and old age. As a result, they are less productive than they might have been, with negative implications for economic growth.

Of course, it was precisely these types of arguments that gave us the welfare state in the first place. Neither Blair nor John Major for that matter has argued that all of the existing props for the poor be removed. The evidence suggests, however, that they should think carefully before allowing the politics of rising inequality to take them further in that direction.

*"Exclusion and fiscal conservatism", Centre for Economic Policy Research, Paper No. 998.
**"Inequality and Growth", NBER Macroeconomics Annual 1996.

MANAGEMENT

Businesses are discovering the advantages of exchanging goods and services, reports **Vanessa Houlder**

Barter trade finds a corporate future

Bartering is usually associated with primitive or weak economies – from the early explorers who swapped guns for furs to cash-strapped Russian factories that pay their employees in kind.

But the conventional view of barter does not adequately describe the North American corporate barter industry. More than $7bn (£4.5bn) of goods and services were bartered between US companies last year, according to the International Reciprocal Trade Association (IRTA), the Virginia-based industry group.

It estimates that nearly half of the Fortune 500 companies use barter. PepsiCo, Gillette, Du Pont, Texaco, Citicorp, Time Warner, Schering-Plough, Warner Lambert, Cigna, Reckitt & Colman, Philip Morris, Hasbro and ITT Sheraton are all claimed as clients by corporate barter specialists.

Both the nature and scale of the practice may surprise those familiar with older forms of barter. Corporate barter – which is less than 25 years old – differs from international "countertrade", where payment-in-kind is offered by an overseas buyer that has insufficient hard currency. It also differs from barter exchanges, in which networks of members – usually small and medium-sized companies – buy and sell goods and services to each other.

In corporate barter, the corporate trading company acts as principal. It buys surplus goods and services from clients in exchange for trade credits that can be redeemed against predetermined goods and services – typically advertising, entertainment and travel.

To its champions, such as Jim Kirby, sales director of Active International, a corporate trader, this represents "one of the few new marketing and financial tools to emerge in a long time".

Mattel UK, a British arm of the US toy manufacturer, barters discontinued products or excessive stock with Active International in return for TV airtime. "It is advertising we wouldn't normally have done. It is an opportunity to get extra advertising time over and above the normal budgeted amount," says Ray Perry, marketing director of its games division.

Another example is Tradewell, a New York-based corporate trader which recently acquired 600,000 videotapes of Danny DeVito's comedy *Throw Momma From The Train* from Orion Pictures in return for trade credits and cash. Tradewell disposed of many of the videos by packaging them with toys; Orion used the trade credits to fund a media campaign.

Although the barter industry normally deals with excess stock, there are few limits to what can be bartered. During the worst of the real estate slump, Citicorp bartered buildings in Washington and Florida with Tradewell, in return for cash and media space.

At first sight, corporate traders appear to promise the impossible. They set out to offer a trade credit equivalent to the wholesale value of the goods which usually far exceeds the goods' liquidation value.

"We can restore the value of the stock, by purchasing it at full value," says Trevor Edwards of Atwood Richards.

"Our business is to stop the loss from occurring," says Jim Kirby, sales and marketing director of Active International.

But most corporate traders do not get a better price for the goods than the manufacturer could. Usually the goods are sold through a channel that is accessible to the client; often it is specified by the client. "We are dealing with people who know far better than we do how to sell the product," says Kirby.

Rather, the corporate traders' advantage lies in buying the newspaper or television advertising slots, airline tickets and hotel rooms that make up the other side of the deal. Bartering companies are in a good position to negotiate deep discounts because they make bulk buys of goods or services that would otherwise go unsold. Not everyone is willing to participate: some media companies will not risk undermining their core business by accepting barter deals; others are operating at or near full capacity, such as ITV or Channel Four in the UK.

But in the US, corporate traders can buy advertising space and time at about half the official rate, according to Nigel Healey, professor of European economic studies at the University of Leicester. "The survival and continued growth of the corporate barter industry depends critically upon its ability to maintain a procurement advantage over its manufacturing clients in the purchase of media," he concludes in a study of barter in April's Business Economics journal.

In addition, the corporate trader may be able to exchange other goods or services with the media company. Classic FM, for example, swapped airtime with Active International for part of the cost of flights and hotel rooms to take 30 of its agency contacts to New York for the Three Tenors concert. "It enables us to look beyond the budget and do things we wouldn't otherwise be able to do," says Nigel Reeve, sales director of Classic FM.

As a result of these discounts, corporate traders can appear generous when they pay manufacturers with trade credits. For example, if a manufacturer has goods that are worth $100,000 wholesale but would only fetch $30,000 when liquidated it can sell the goods to the corporate trader in return for $100,000 of trade credits.

The corporate trader uses its negotiating clout to acquire $200,000-worth of advertising time for $100,000. The manufacturer is able to put the $100,000 of trade credits towards a $200,000 television advertising campaign and pay the remainder in cash.

The result is that the corporate trader makes $30,000 from the value of the liquidated goods. The television company gets business that it would not otherwise have got. Meanwhile the manufacturer "saves" $70,000 in cash from its expenditure on this extra, but presumably beneficial, advertising campaign (ignoring any discount that it may have been able to negotiate for itself).

Once, an important attraction of this kind of deal was the high valuation that appeared to be put on the obsolete stock. That might help strengthen the company's balance sheet temporarily if, for example, it wanted to ensure the success of a rights issue. But the use of barter to "window-dress" accounts has been limited by a 1994 ruling by the Financial Accounting Standards Board. This requires companies to write down obsolete stock before a barter transaction, although trade credits may still be booked at face value if the company's auditors agree.

The introduction of more conservative accounting regulations may have deterred smaller companies from doing a large proportion of business through barter, according to Bill Steinberg, president of Tradewell. But he believes it has had negligible impact on companies where bartering is a very small proportion of their business.

There are other potential limitations that a company has to consider before embarking on a barter project. One obvious concern is that bartering weakens a manufacturer's ability to negotiate a discount in its own right. That is why Mattel limits barter in its advertising budget. "We wouldn't want to weaken our main campaign," says Ray Perry. "Barter has to be a relatively small percentage of our total business."

Another potential concern is that using barter may result in an inferior advertising campaign. When Casio, the consumer electronics company, tried barter in the early 1980s, it found that it was offered the worst TV and radio advertising times available – late at night, for example. Eventually, it overcame these problems by insisting on contractual guarantees from its corporate trader that specified the exact time and space it required.

Hostility from the client's advertising agency is another common problem, although this can generally be allayed if the barter company fits in with the agency's plans: "A lot of people do have reservations about it," says Caron Beith, group media director of Leo Burnett, who has examined the concept. However, she believes it could have a valuable role to play in helping a client realise an otherwise worthless asset.

Another, more serious threat from using barter is that the manufacturer unwittingly undermines its core business, because the corporate traders sell the stock to a third party that tries to resell it in one of the manufacturer's mainstream markets. But corporate traders can usually allay fears by promising to compensate the manufacturer if any of their goods filter back into the market.

Yet another potential threat stems from the risk that the corporate trader will fail, leaving the client holding worthless trade credits. Barter companies fail quite frequently, says Paul Suplizio, IRTA's chief executive officer.

"The industry has relative freedom of entry," he says. "It is easy to call yourself a barter company without adequate capital."

A spate of failures occurred in the US in the early 1980s, he says. "There are cities like Denver where we had such a rash of failures that we thought confidence would never return," says Suplizio. He argues that the fact confidence did return attests to the fundamental attractions of the barter concept.

In the UK, confidence in the barter industry is still at a low ebb after the recent failure of the Bartering Company, a London-based barter exchange. Harry Wedderburn of Capital Barter Corporation, another UK-based exchange, describes the evolution of the UK market as "agonisingly slow".

Even before then, the UK barter industry was probably too small for corporate traders to build up sufficient critical mass.

But Suplizio is optimistic about the outlook. "Anywhere where there is excess capacity, there is an incentive for barter," he says. The ideal conditions to nurture the industry are an unattractive combination of recession and high interest rates because these create excess capacity and repressed demand.

But if the barter industry is to fulfil its potential, it will have to improve its image. In the words of Healey: "Few companies are prepared to admit publicly that they have engaged in a practice that is widely associated with unloading obsolete stock and creative accounting." Kirby also thinks that companies' reluctance to own up to excess stock prevents them from seeing bartering "as a sharp marketing move".

But in some quarters, suspicion has already given way to enthusiasm. "Everyone is trying to find the catch. I don't think there is one," says Beith.

"Everyone who gets involved in this business feels wary initially," says Perry. But in his experience, bartering can offer benefits to everybody involved.

"It is getting better all the time," he says.

DEALING WITH DISABILITY

Cerebral Palsy

Parents pushing pushchairs regularly complain of the battery of obstacles they encounter at every corner, from raised kerbstones to out-of-order lifts. It is even worse for people using a wheelchair, because they cannot get up and carry it.

James Woods, aged 23, has quite severe cerebral palsy, which is not a disease or an illness. It is a description of a physical impairment that affects about one child in every 400. The main effect is difficulty in movement and Woods is in a wheelchair.

"My main problem is access: from getting into a building, to reaching the lift button, positioning my chair and getting to the toilet," says Woods, who is currently on a work placement with National Westminster Insurance Services in Bristol.

It is a problem he has struggled to overcome all his life, most notably when he applied to university. "Very few could cope with me because of the wheelchair."

Eventually he was accepted on a Business Studies and Media degree course at Trinity and All Saints College, a Roman Catholic college affiliated to the University of Leeds. The college, which had no other physically disabled student at the time, [illegible] to get into the dining room and a special lift to the library.

He left college in 1994 and applied for "hundreds of jobs" with only a couple of interviews. Many of his able-bodied peers faced the same problem, but Woods says that many employers who said publicly that they paid particular attention to the problems of the physically disabled failed to give him an interview.

Woods then joined "Fast-Track", a partnership between Scope, formerly the Spastics Society, and a group of national employers and Training and Enterprise Councils which offers disabled graduates extended work experience.

This is Woods' third secondment and he is enjoying the opportunity with an employer who understands that he may take a little longer to access the photo-copier or get from one meeting to another than an able-bodied person. NatWest Insurance Services has recently received the government's "Positive about Disability" award.

There is also a lift available from the works car park to his job in the company's marketing department. But he says that the bank is a rare example of good practice and he is dismayed that the government's new disability act will place a duty on employers only to make "reasonable adjustments" to work conditions on physical access for the disabled.

Discussions have taken place between organisations representing the physically disabled and the government as to what reasonable adjustment means, and guidelines have been issued.

Scope says that the physically disabled always face some elements of discrimination in the work place.

Woods says: "You have to fight for things – from getting an education to a job. I could have easily said that none of the universities could accommodate me but I kept pushing, as I am doing now in trying to get permanent employment. Giving up is always the easy option."

Lisa Wood

Trials and tribulations of the CEO

Lucy Kellaway

"What I would like to know is how many multinational companies have you run?" asked a disgusted reader in a letter last week.

That's a very good question, and I'm glad to be given the opportunity to answer it, as they say. The reader may have guessed that I am pretty low on experience of running multinationals, and that I possess none of the requisite qualifications. But even if I had the talent and the experience, the position of CEO in a public company is one I would go to great lengths to avoid. Even on current stratospheric levels of executive pay, the job simply does not look attractive.

Once upon a time, when business was slow and when hierarchies were steep, it might have had its advantages. But now the odds are overwhelmingly against any chief executive, no matter how talented, ending his career on anything resembling a high note. The average life expectancy in any top job is becoming shorter all the time, with shareholders, employees, commentators and fellow directors queueing up to stick the knife in the minute anything goes wrong. Think of how many ways in which it is possible to fail: a CEO can be good at turning a company round, but less good at keeping it moving forward. He can be great at the strategy, but fall out with his fellow directors. In order to stay in office he needs to keep an increasingly large number of balls in the air at the same time. I don't feel sorry for them, I just cannot imagine wanting to join them.

David Sainsbury was a hero last year; this year his reputation is a bit more dodgy. A few names like Sir Richard Greenbury, Jan Leschly, Clive Thompson and Martin Taylor are still golden, but for how long?

It is in this context that Lord Weinstock is most extraordinary. Lord Weinstock was of course unusual in other ways – not many people can be quite so bullying and quite so charming simultaneously. But he ran a company for 33 years and is leaving to a round of applause. In that respect alone I am prepared to bet that there won't ever be another Lord Weinstock.

The disgusted reader's letter came addressed to a Ms Kellar, a fact which, as a bad speller myself, I usually would have barely noticed. But in the same post I got another reader's letter alerting me to a worrying new business trend.

"There is an increasing sloppiness in correspondence from executives who sign letters without apparently having read them," he wrote, citing incorrect names, missing postcodes, and so on. Is it possible that the downsizing of the corporate secretary and the upsizing of the workload of the remaining executives is taking its toll? Possibly, although I think it more likely that the new trend is simply our human tendency to feel that standards are permanently falling.

There can hardly be a self-respecting company left that has not gone though a "culture change programme" in the past few years. And if a recent survey by MORI/Proudfoot is to be believed over 80 per cent of companies feel that these programmes have been a rip-roaring success. It therefore comes as a surprise to read in the same survey that people don't seem to agree on what corporate culture actually is. The most popular definition is "ethos", but that strikes me as even more woolly than the word culture. Others variously think it is about team spirit, financial success, corporate image, or about management style.

By its very nature, culture is difficult to pin down. Still, it might be a good idea to have some notion about what we mean by it before we start introducing fancy programmes to try to change it.

A friend gave me a most unusual birthday present last week: a Peppy. Made in Japan in the 1960s, my Peppy is a battery-powered pepper grinder. "Peppy is the most epochal (sic) automatic pepper grinder in the world. The traditional pepper grinder have been worked by manual, while Peppy is operated by motor power. So, you can easily handle it by single hand. Everybody, even child, can easily operate," says the accompanying instruction booklet.

It is not surprising that the Peppy never took off. Heavy, especially with four large batteries inside, it is a solution to a non-problem, and within 24 hours mine had broken down. In terms of product development 30 years has been an eternity in Japan: from the Peppy of the 60s to today's fuzzy logic washing machine – which weighs your washing and automatically selects the right programme for you. Who says standards are falling?

I had thought 37 was a nothing kind of age. But a colleague tells me it is a very special number. Consider the answers to the following sums: 3 x 37; 6 x 37, 9 x 37; 12 x 37 and so on. I feel better already.

BUSINESS EDUCATION

NEWS FROM CAMPUS

Cosmetics company doubles its money

Leonard Lauder, president of the Estée Lauder cosmetics empire, has given an additional $10m (£6.5m) to the Wharton school at the University of Pennsylvania. The donation to the Joseph H Lauder Institute of Management & International Studies brings the total donated to Wharton by the Lauder family to $20m.

The Lauder Institute offers a joint MBA/MA programme in management and international studies with a strong emphasis on languages.

The institute is organised jointly by the business school and the school of arts and sciences.

Wharton: US, 215 898 5000

Lawyer unlocks professor's door

The Yale school of management has appointed one of America's leading experts on corporate law as a visiting professor in competitive enterprise and strategy.

Ira Millstein, senior partner at Weil, Gotshal & Manges, in New York, specialises in anti-trust law, government regulation and corporate governance.

Yale: US, 203 432 5932

Soldier, sailor, pilot, manager

The UK's Ministry of Defence has invested more than £450,000 in multimedia management training materials. Developed by Training Direct, the courses will be used in the Ministry's Defence Management Training organisation.

Training Direct: UK, (0)1279 623850

Sing a song of business plans

Imagine a chain of record stores, each with a recording studio for local artists. That is what four students from Iese (the International Graduate School of Management at the University of Navarra) did, and they won an award for it. The competition for the most innovative European business plan is organised annually by the London Business School and Insead, in France, to encourage MBA students to be more creative in setting up new companies.

Iese: Spain, 3 204 4000

Business schools are increasingly using the Internet to communicate and to deliver course material

Socket science

James Richards, a pathologist in Lansing, Michigan, is pursuing his masters degree in business administration in an unusual way: by plugging into the Internet.

The programme, sponsored by the University of Phoenix, allows students to attend classes, submit homework assignments, receive comments and even "talk" to other students in chat groups online.

Courses are offered on demand; students can drop their studies for weeks or even months, then pick up where they left off. "I have a family and a busy medical practice," said Richards. "So this was the only realistic way for me to do this."

The University of Phoenix says that it now has 1,540 students enrolled on the Internet degree programme.

Although most business schools in the US do not allow students to fulfil degree requirements completely via the Internet, a number are growing increasingly dependent on it for long-distance learning sessions.

In September, the University of Michigan's business school will launch online courses for Daewoo executives in Korea and five corporations in Hong Kong. Students will still have to spend some time on campus – eight months in the case of the Daewoo workers and seven weeks in the case of the Hong Kong managers. Yet much of the course work will be conducted in cyberspace.

The Internet should make long-distance sessions far simpler to manage. "We've been using computer techniques with the Daewoo students for some time," said Graham Mercer, director of international programmes for the school. "But cyberspace will make our lives a lot easier."

The school will no longer have to worry about co-ordinating hardware platforms and computer software. Anyone with access to the Net will be able to download and upload homework assignments and other information.

The University of South Florida is also relying increasingly on the Internet to co-ordinate its business school classes. Students and professors communicate constantly by e-mail.

One business course at the university asks its students to download a simulation game over the Net every Friday. The students come up with strategies for their corporations over the weekend, and upload their work on Monday. By Friday, the computer decides the consequences of the virtual managers' actions, and offers an updated scenario.

"A lot of our students are scattered around the state and a number are out of state," said Andrew Barrett, director of distance and technology-mediated learning at the school. "The Internet gives us a way to communicate with them."

Yet, while some courses are completely online, students pursuing a degree at South Florida cannot rely entirely on cyberspace instruction. "They have to attend some classes in person to get a diploma," Barrett pointed out.

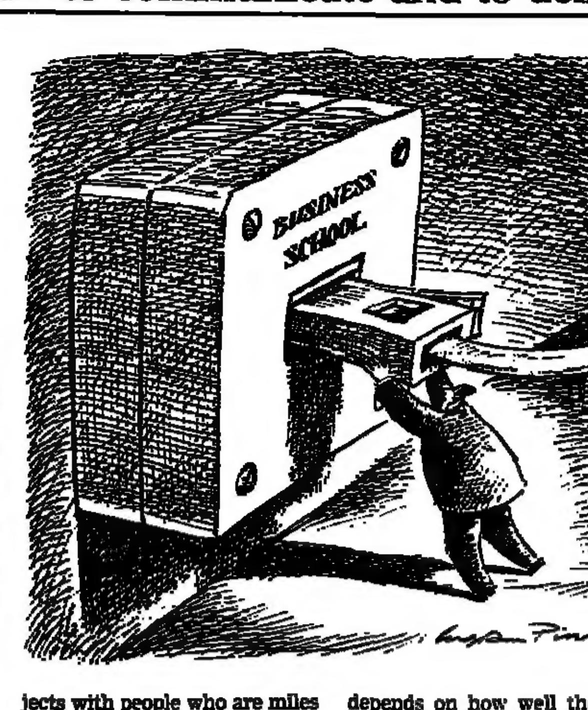
The main selling point for the online degrees is convenience. Richards sees another advantage. "I figured I would have to become good at using the Internet," he explained. "And this seemed like a good way of doing it. I work on projects with people who are miles apart, just as I'll have to start doing in my practice."

Most of the elite business schools reject long-distance learning in favour of a campus-based approach. "There's a feeling that you miss the face-to-face interaction that's so important at any university," said Michael Baltes, spokesman for Wharton.

Even Richards, who is enthusiastic about the online courses, believes the quality can be uneven. "Because so much of this is text-based, a lot depends on how well the professors write, and some of them are better than others," he explained.

Despite the problems, many believe the Internet will be used increasingly at business schools. "I think it will be a while before you see a lot of business schools offering degrees on the Internet," said Mercer. "I think the writing's on the wall. The Internet will certainly be a significant part of what we do in the future."

Victoria Griffith



Online onset

Where the US leads, Europe inevitably follows – in using the Internet as much as elsewhere.

While some European business schools use the Internet as a way for students and alumni to keep in touch, the Southampton Institute in the UK is already using it as the backbone for a three-year part-time MBA course.

The concept sprang into life in January 1995, so the first batch of some 30 students are half-way through the first programme. Nevertheless the institute has already received some useful feedback.

Many students work outside the UK or on projects which require them to spend periods overseas – a real problem for anyone trying to study on a more traditional course. The course requires the students to spend three periods in residence and they have to sit examinations in controlled circumstances to ensure the validity of the degree.

As for being able to use the Internet – "It's something you can pick up as you go along," said Michelle Gray, postgraduate administrator.

Della Bradshaw

A threat to silver-tongued race talk from Silverstone

Keith Wheatley on the televised future of the British Grand Prix

Saturday's British Grand Prix will attract capacity crowds. Formula One is hugely popular world-wide but nowhere more so than in the UK, the administrative, technical and emotional home of international motorsport.

Yet for every fan in the stands at Silverstone, hundreds more will follow the race at home on television. Murray Walker OBE, the BBC's 72-year-old commentator, will infuriate or enthrall (according to taste) with his unique blend of high-octane partisanship and malapropisms.

It could also be his swansong. When ITV announced its coup of securing the Formula One television rights in Britain from 1997 onwards, the question on every "petrolhead's" lips was whether Murray would change channels. It is a question still unanswered, although Walker himself says he is raring to go.

"It would be putting the cart before the horse to say upfront that we're going to use Murray," said ITV's commercial head Andrew Chowns during a low-key research visit to the French Grand Prix. "We've asked a dozen production companies to tender for providing our coverage. Those bids have to be in by August 18.

"Their ideas on how to provide imaginative creative coverage of the whole Formula One scene will be every bit as crucial as how many cameras they plan to use or the financial aspect. Presenters will be a key ingredient but it is up to them to put the package together."

When news first broke that ITV had pre-empted the BBC with a reported (but unconfirmed) £70m ($109m) bid for Formula One, the trade press started a persistent canard that, as on BBC, each race would be run live and without interruptions for commercials.

Fans, terrified that they would miss a crucial manoeuvre or crash, were misguidedly relieved. "It's inevitable that there will be advertising during a race," said Chowns. "No one should be under any illusion [but] that the attraction of Formula One to ITV is the number of viewers who watch it and the number of advertisers that want to reach them."

At present ITV market researchers are working with focus groups of viewers, showing them tapes of old races with commercial breaks inserted. The aim is to determine what length and frequency of adverts are most acceptable. There is parallel research under way to find the most viewer-friendly way of projecting a sponsor message and logos at programme breaks.

So far, according to Chowns, no regime has been decided but the deadline is July 22 when there will be an important presentation to London advertising agencies.

Initially, motorsport's officials had some concerns that the temptation to sell huge numbers of high-priced advertisements would be too great for ITV to resist. That would parallel their experience in other parts of the world where the fan is sometimes lucky to see a complete lap without a commercial break.

"We were able to convince them that the existing UK regulatory regime was at least as tough as anything FOCA (Formula One Constructors' Association) might insist on. A maximum of seven minutes of ads per hour fitted their view pretty well," Chowns says.

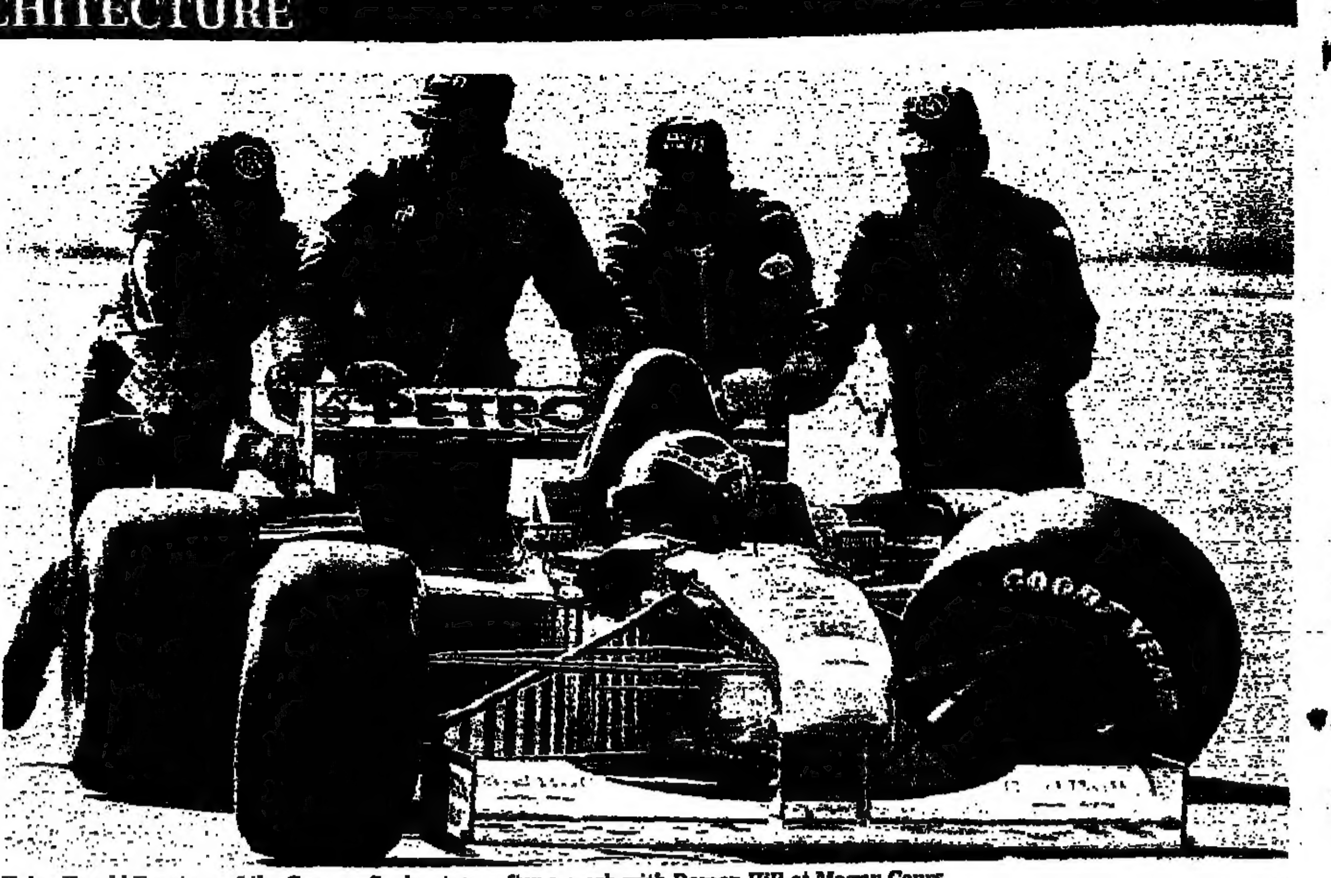
The approach to Formula One was initiated by ITV, with a phone call to the sport's prime fixer Bernie Ecclestone. (His company – Formula One Promotions and Administration – handles the exploitation of the commercial rights owned by FOCA).

The deal was done quickly and in sufficient secrecy to leave the BBC gobsmacked by the announcement. "You only have to look at something like the English rugby union situation to see how long-winded these sports rights negotiations can become," said Chowns.

"So often you're dealing with committees and so many different levels of authority. In Formula One it's Bernie Ecclestone. Full stop. I haven't known him very long but it's clear you're dealing with a very decisive person who exercises enormous control and influence."

ITV are about to find out just how much. At the Monaco grand prix in May, Ecclestone saw the BBC's pit-lane reporter break a local regulation and cross the pit-lane to grab an on-the-hoof interview with Damon Hill. The offender's pass was instantly withdrawn. In the security-mad, magnetic-stripe world of the Formula One paddock, to be without a pass is professional death. Especially in Ecclestone's court of no appeal.

The BBC's man spent the next race, at Barcelona, hiding behind tyres with his microphone concealed in his pocket.



Heinz-Harald Frentzen of the German Sauber team after a crash with Damon Hill at Magny-Cours

One important question that remains in the air is the question of tobacco advertising. Formula One would be on its knees without the huge sums of sponsorship that cigarette companies such as Marlboro, Rothmans and Benson & Hedges pump into a few key teams.

Some years ago ITV gave an undertaking to the British government that it would eschew taking up television rights to any tobacco-financed sport. Chowns says there is a clear distinction between an event controlled by a cigarette firm and one where there is a degree of sponsor-participation.

"It's the difference between the Embassy snooker, which we wouldn't cover, and Formula One, which has tobacco companies supporting some of its teams," said Chowns. "We'll have to see what the politicians say, although there will be something very wrong if the BBC can cover this sport and we are not allowed to."

Ultimately the big change in television coverage of Formula One will not be the switch from public service to commercial channels, but rather Ecclestone's deal with a German TV company to broadcast Grand Prix on multi-channel digital television.

The enthusiast – and there are millions of them – will be able to choose and pay for one of half-a-dozen different views from the race. Choose to be onboard with Michael Schumacher, or in Jean Alesi's garage. Digital will let you do it. The first trial broadcast is from Silverstone. With all due respect to the silver-tongued Walker, this is the story to watch.

Homage to Catalonia's first city

Architects meeting in Barcelona will find much to learn from, says Colin Amery

Almost all the architects in the world are in Barcelona this month for the conference of the UIA – the international union of architects. It is the right place to be because Barcelona exemplifies a city where contemporary architecture is working well for the benefit of the inhabitants.

Barcelona, as the first city of Catalonia, has always been exceptional in the architectural expression of its individual personality.

Hovering over the city is the spirit of Antonio Gaudi and his great cathedral of the Holy Family, which continues to be built slowly and steadily to his designs. Although this unfinished building is so familiar from photographs, when you see it, it gives you a visceral thrill that is unlike any other architectural experience.

Gaudi's work is both mad and wonderful. He has never been imitated and he is purely Catalan in his passionate expressiveness and his manic intensity of vision.

You sense a little of where this passion comes from when you visit the Gothic cathedral in the old quarter of the city. The atmosphere here is one of high Catholic drama – tiers of scarlet candles surround the statues that are just visible through a sea of carnations and votive offerings. The cathedral is dark inside with sudden dust-filled shafts of light. It is a potent place.

Gaudi's architecture has some of this power but he also added a unique sense of organic decoration. The recent restoration of his park in Barcelona, the Parc Guell, makes it one of the most strange but accessible examples of his work.

Gaudi was completely loyal to his city and he was loved by the people, who followed his coffin in their thousands when he died.

Today, architects are popular and in charge of the renewal of the city. Oriol Bohigas, the Minister of Urbanism, had evolved a Barcelona School of design in the last few decades, that combined modern geometry with traditional Catalan building techniques. In 1981 he stated his aims under the new socialist regime as "to clean up the city centre and monumentalise the periphery." In fact he and his team have done a great deal more than that.

They established a Department of Urban Elements which is responsible for the overall design of everything you see in Barcelona that is not a building. All the street furniture, lighting, and signs are designed by leading architects as part of a coordinated programme. The department is also responsible for planning and executing the pedestrianisation of the city.

Anyone who has walked on The Ramblas in Barcelona or sipped a drink in the Royal Square will appreciate how much the locals enjoy the pedestrian parade. The policy is not a negative one – the Olympic Games in the city in 1992 enabled the creation of new motorways that freed the centre of fumes and traffic. Underground car parks – fully 25 – have been built in the centre of the city and on top of them beautiful new public squares.

The mayor of Barcelona, Pascual Maragall, sees his priorities as the need to deal with traffic and to invest in the public realm to recreate communities. The planning policies of his city government are designed to encourage the creation of mixed communities that fit into the new network of urban parks and public squares.

With this powerful public will to make urban life civilised again, Barcelona has become an enviably effective place to be. The quality of the renewed environment has attracted great investment and there is confidence in architecture.

That has led to a wave of new building of real quality. Santiago Calatrava's telecommunications tower and Norman Foster's slim tower are symbolic of the future. The recent opening of Richard Meier's Museum of Contemporary Art brought an injection of international modernism, while the city's Centre of Contemporary Culture by Viaplana and Pinon shows perfectly how to rejuvenate old buildings.

Barcelona is so full of lessons for the international gathering of architects. I hope they will not spend too much time talking but most of their time looking at one of the very few cities that is determined to make urban life in the year 2000 inspiring and beautiful.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Alpha Airports 3.25p
Baring Stratton Inv Tst 2.29p
Brit Assets Tst 1.13875p
Brit Gas 8¾% Bds '08 £88.75
Browning Ferris $0.17
Cakebread Robey 2p
Do A NV 2p
DKB Intl Fltg/Fxd Rate Gtd Nts '04 $15402.35
Epwin 6p
Forte 9⅜% Bds '03 £93.75
Havelock Europa 2.4p
Hydro-Qu 9¼% Debs Sers HD '99 Ecu92.5
Inter-Am Dev Bank 12½% Ln '03 £6.25
Jos Holdings 3.33p
Lafarge SA FFr10
Leo 1 B Mtg Bkd FRN's '35 £2082.31
Leo 2 B Mtg Bkd FRN's '32 £199.26
Mitsui & Co FRN's '99 Y11849
Morgan Crucible 7.55p
Neste Oy 9¼% Bds '99 $462.5
Norsk Hydro AS 9⅝% Nts '98 Ecu96.25
Parkland 3.3p
Smith (James) Estates 3.74p
Takashimaya FRN's '98 Y22109
Transtec 1.5p
Unilever NV 7¼% Bds '04 $72.5

■ **TOMORROW**
Bank Melbourne FRN's '97 $14.44
Capital Gearing Trust 0.55p
Collateralised Mort (No.11) B Mtg Bkd FRN's '28 £196.06
Irish Permanent FRN's '98 £159.36
Kansai Intl Air 8½% Gtd Bds '98 $85
Kobe Steel FRN's '96 Y20459
Linton Park 12.5p
PT Bank Dagang Nasional FRN's '00 $159.53
Reed Elsevier 9⅝% Gtd Bds '97 $962.5
Sketchley 2.4p
Treasury Corp Victoria 8¾% Gtd Bds '03 £87.5
Voyageur Euro Smaller Co's Tst 0.55p

■ **WEDNESDAY July 10**
A de Gruchy 4.28p
Albert Fisher 1.85p
Apollo Metals Cnv Rd Prf 4p
Daicel Chemical Inds 6.1% Bds '97 Y610000
EIS Group 9.6p
Eleco 0.25p
Ferguson Intl 8.75p
Finsbury Growth Tst 1.1p
Lothbury Fund No.1 A1 Mtg Bkd FRN's '31 £844.48
Do A2 Mtg Bkd FRN's '31 £1616.51
Do B Mtg Bkd FRN's '31 £1815.42
Mitsui & Co Fxd/Fltg Rate Nts '96 Y12244
Philip Morris $1
Natl Australia Bank A$0.43
Reed Elsevier 9% Gtd Bds '96 $900
Scottish Value Tst 1p
Superframe 1.3p
Undervalued Assets Tst 2.35p

■ **THURSDAY July 11**
Chesterfield Props 9p
Elys (Wimbledon) 150p
Finlay (James) 2.15p
Gen Motors Dual Currency Cnv. Nts. '96 C$101,250
German Smaller Cos IT 0.79p
Gerrard & National Hldgs 15p
Hewden Stuart 2.25p
New Throgmorton Tst 1.9p
People's Cons Bk China FRN '98 $302.94
Do. FRN '00 $307.99
RIT Capital Partners 1.65p
Sumitomo Realty & Dev 4.70% Nts. '97 Y470,000
Warburg (S.G.) Capital FRN '06 $287.53
Young (H.) Hldgs. 1.3p

■ **FRIDAY July 12**
Abbeycrest 2.4p
Abtrust Euro Index IT 1.1p
Ann Street Brewery 13.52p
Argentaria Cap Funding B Non-Vtg Euro Pf DM0.90
Bardon 1.2p
Body Shop 2.32p
British Funds 9% Cv Ln '11 £4.50
Do. 9½% Cv Ln '01 £4.75
Brixton Estate 5.65p
Burmah Castrol 14p
Caisse Francaise de Developpement 12¼% Ln '13 £306.25
Cleveland Tst 3.35p
Country Gardens 1.38p
Daily Mail & General Tst 4.6p
Do. A Non-Vtg 4.6p
Fleming Far Eastern IT 1.3p
Hepworth 9.35p
Kelsey Inds 6p
Kunick 0.3p
LASMO 9½% '96 $95
Morland 3.6p
Pillar Property Invs 3.2p
Severn Trent 11½% '99 £575
Shorco 2.2p
Siam Selective Growth Tst 0.4p
Standard Chartered Undated Cap FRN $281.22
Do. (Ser 4) $285.64
Tiger Oats R0.445
T & N 3p
Whessoe 1.1p

■ **SUNDAY JULY 14**
British Funds 3½% Fdg '99/'04 £1.75
Do. 13% '00 £6.50
Brit Gas Intl Fin 6¼% Gtd '03 $62.50

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Culver Holdings, Copthorne Hotel, Copthorne Way, Culverhouse Cross, Cardiff, 12.30
Fleming Income & Capital Inv Tst, 25 Copthall Avenue, E.C., 3.00
Seton Healthcare Group, Pennine Way Hotel, Manchester Street, Oldham, 11.00
Northern Investors Co, County Thistle Hotel, Neville Street, Newcastle-Upon-Tyne, 1.00
BOARD MEETINGS:
Finals:
Bucknall Group
Firth Holdings
Ivory & Sime
Kenwood Appliances
Marling Industries
Prior
Rexmore
Shield Diagnostics
Tomkins
Interims:
Barr (A.G.)
Low & Bonar

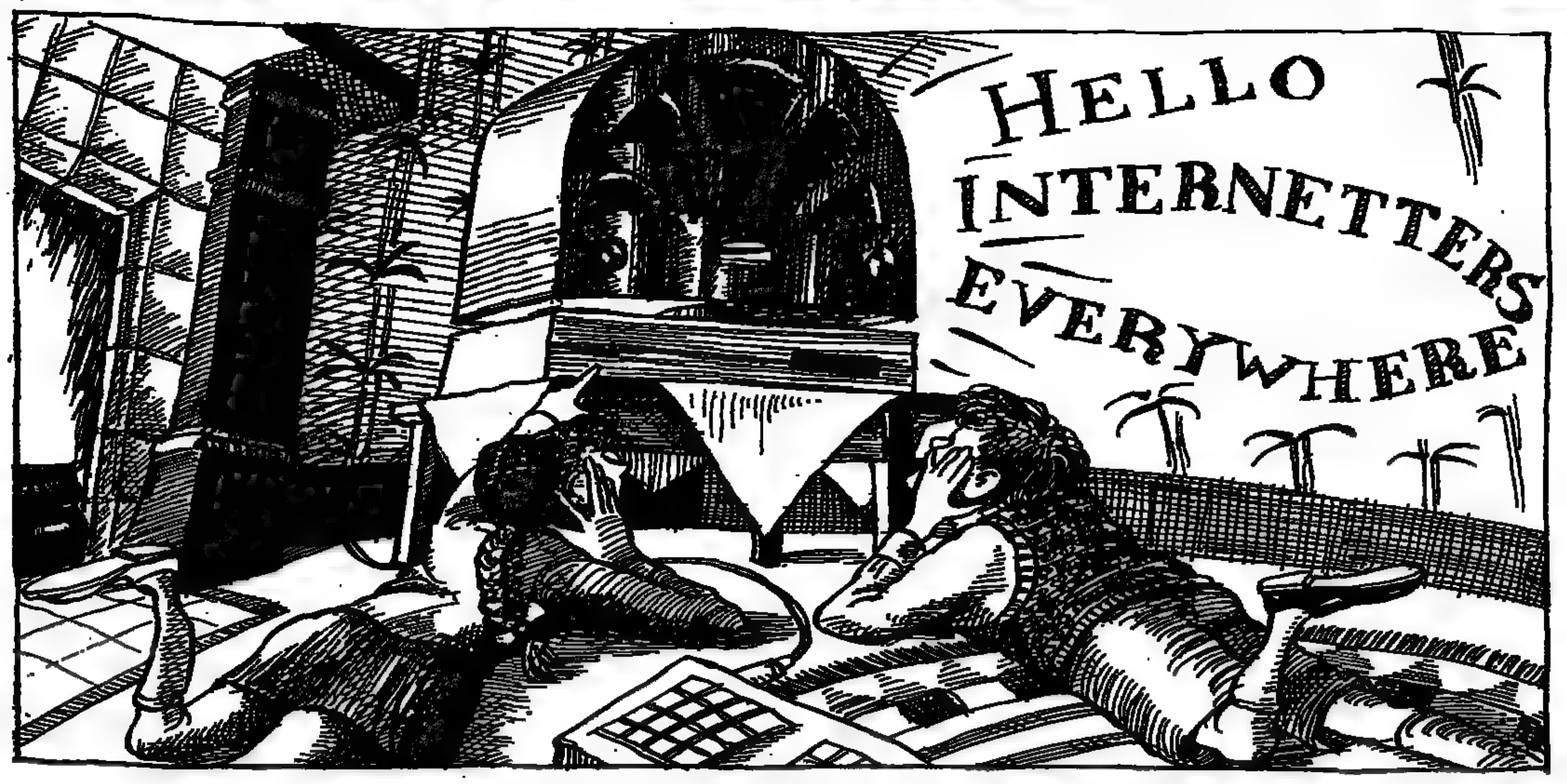
■ **TOMORROW**
COMPANY MEETINGS:
Betterware, Reg. Office, Park Lane, Castlevale, Birmingham, 10.00
Sketchley, Founders Hall, 1 Cloth Fair, E.C., 11.30
BOARD MEETINGS:
Finals:
Bespak
Birse Group
Budgens
Dudley Jenkins Group
Farepak
Gibbs Mew
Menzies (J)
Morris Ashby
Real Time Control
Universal Salvage
VHE Holdings
Wood (John D) & Co
Interims:
Eurocamp
P&P

■ **WEDNESDAY July 10**
COMPANY MEETINGS:
Cafe Inns, Sumner House, St Thomas's Road, Chorley, 9.30
Chesterfield Properties, Reg. Office, 38 Curzon Street, W., 11.30
CRP Leisure, Laytons, 50 Victoria Embankment, E.C., 12.00
Davenport Knitwear, Thomas May, Allen House, Newarke Street, Leicester, 11.15
European Colour, Credit Lyonnais Laing, Broadwalk House, 5 Appold Street, E.C., 11.30
Fleming European Fledgling Inv Tst, Reg. Office, 25 Copthall Avenue, E.C., 12.00
German Smaller Co's Inv Tst, Hill Samuel Inv Management, 10 Fleet Place, E.C., 12.30
Jove Inv Tst, Aberdeen Tst, 99 Charterhouse Street, E.C., 12.30
New Throgmorton Tst, 155 Bishopsgate, E.C., 12.30
Personal Assets Tst, 1 Charlotte Square, Edinburgh, 12.30
Siam Selective Growth Tst, The Cazenove Conference Suite, 4 King's Arms Yard, E.C., 3.30
Storehouse, Merchant Taylors' Hall, 30 Threadneedle Street, E.C., 12.00
3i Group, London Marriot Hotel, Grosvenor Square, W., 11.00
RIT Capital Partners, Royal Automobile Club, 89 Pall Mall, S.W., 11.00
BOARD MEETINGS:
Finals:
Dixons Group
FI Group
Matthew Clark
Stanley Leisure
Vtech Holdings
Interims:
BWD Securities
M&W

■ **THURSDAY July 11**
COMPANY MEETINGS:
Abbeycrest, Arthur Andersen, St Paul House, Park Square, Leeds, 2.00
Brazilian Smaller Co's Inv Tst, Reg. Office, Exchange House, Primrose Street, E.C., 12.15
Bridgend Group, Stocks Hotel Golf & Country Club, Stocks Road, Aldbury, Nr. Tring, Herts, 10.30
Cedardata, Greig Middleton & Co, 66 Wilson Street, E.C.
Friendly Hotels, New Connaught Rooms, 61-65 Great Queen Street, W.C., 11.00
Gartmore Shared Equity Tst, Reg. Office, Gartmore House, 16-18 Monument Street, E.C., 10.00
Marks & Spencer, Grosvenor House Hotel, Park Lane, W., 11.00
McDonnell Information Systems Group, Chartered Accountants Hall, Moorgate Place, E.C., 11.30
North Atlantic Smaller Co's Inv Tst, Reg. Office, 10 Park Place, S.W., 12.00
Pilot Inv Tst, 99 Charterhouse Street, E.C., 11.30
Raglan Properties, Farmers' & Fletchers' Livery Hall, 3 Cloth Street, E.C., 11.00
Salvesen (Christian), Sheraton Edinburgh Hotel, 1 Festival Square, Edinburgh, 11.00
BOARD MEETINGS:
Finals:
Caledonian Media Comms
Colefax & Fowler
GGT Group
Heiton Holdings
Hampson Industries
Peel Holdings
Phonelink
Ransom (WM) & Son
Interims:
Aberforth Smaller
First Choice Holidays
Kleinwort Charter
Shani Group
Trust of Property Shares

■ **FRIDAY July 12**
COMPANY MEETINGS:
Airsprung Furniture Group, Reg. Office, Canal Road, Trowbridge, Wiltshire, 12.30
Property Partnerships, County Suite, Hotel Norwich, 121/131 Boundary Road, Norwich, 11.30
British Land Co, Mayfair Hotel, Stratton Street, W., 12.00
Hughes (TJ), Panmure Gordon, New Broad Street House, New Broad Street, E.C., 10.00
BOARD MEETINGS:
Finals:
British Bloodstock
Proteus International
Interims:
General Consolidated Inv
Olim Convertible Tst

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.



A radio Renaissance worldwide

Audio-on-demand paves the way for live Net broadcasting, says **Richard Vadon**

Radio on the Internet sounds like a contradiction in terms. The Net is meant to be the communications medium of the future, whereas radio's finest hour was some point in the 1950s. But radio is poised to lose its old-fashioned image with the emergence of technology that allows broadcasting over the Net.

Radio on the Net is possible because of the development of audio-on-demand software. Previously, sound files on the Net had to be fully downloaded before they were played, which made live broadcasting impossible.

Progressive Networks, a Seattle-based software company, made broadcasting over the Net possible when it developed Real Audio last year. This system downloads the sound a little bit at a time and plays it immediately.

So when a Net user clicks on a radio station's World Wide Web site, the data is transmitted via a modem from the station's computer server to the user's PC. Receiver software then converts the data to audio that plays through the PC's sound card.

There is one important drawback about Real Audio and the rival Iwave and Streamworks systems – the sound. Like most other things on the Net, it is restricted by bandwidth. Most of us can only get access at a maximum of 28.8 kbits per second. That gives a Real Audio performance that Progressive Networks describe, slightly optimistically, as being medium wave radio quality. That is just possible on a good day. But there are more bad days than good on the Net. So when things are a bit sluggish on the superhighway, performance can really deteriorate.

Regardless of the variable quality of the sound, US radio stations are flooding onto the Net. There are now about 70 live radio stations broadcasting on the Net 24 hours a day using Real Audio and a much smaller number of stations using the other systems.

Most of these stations broadcast via AudioNet, the Internet's first broadcast network. Like a cable TV company, AudioNet licenses programming from hundreds of sources, and makes it available to the entire world. Unlike normal radio and television, AudioNet offers programming on demand. If you miss your favourite programme during the day, you can listen to it on AudioNet at your convenience.

Mark Cuban, AudioNet's founder, is understandably one of Net radio's leading evangelists. "We live in a transient world, where people move around all the time. Often we leave behind important memories. We saw AudioNet as a cure for homesickness and an exciting opportunity to make the world smaller."

Cuban believes there is money to be made from Net radio. "There is one very important difference between all other broadcast mediums and AudioNet. With radio, TV and print, you always have to send the user somewhere else to buy. They have to go to the store, pick up the phone, or get a catalogue. Not with AudioNet. You can entertain, inform, market, promote and take an order, and in many cases deliver the product."

The most popular radio shows on the Web are talk shows and live sports coverage. That is partly because the sound quality of Real Audio is best for talk. But Howard Freedman, of Xtra Sports 690 AM and iRadio Magazine, thinks there is another factor: "Web surfers are information driven so they love the local and regional information they can get from stations all over the world. Also, sports fans love to be able to hear games from their home town on the Net from anywhere in the world, basically for free."

Virgin is the only European radio station broadcasting live on the Net. John Ousby, who heads Virgin's Web site team, sees the site as a way of giving Virgin's listeners a better understanding of the station. The use of live broadcasting was meant to provide the perfect aural accompaniment to the rest of the Web site for those without radios near their computers.

Virgin has had more than 125,000 hits on its home page since its launch in March 1996; more than 70 per cent of those have accessed the Real Audio. But Ousby feels that is only the beginning. "What is worth bearing in mind is that audio-on-demand in any form was not publicly available before April 1995. It has come a long way since then and will no doubt be a long way from here in another six months."

The BBC takes a different approach from the American stations and Virgin. It has recently launched a site for Radio 1, designed by Sunbather, Britain's leading Web production house. It uses Real Audio for music and interview playback but not for live broadcasting.

Radio 1's Sophie McLaughlin explains "we feel very strongly that the Web site must add value to our programming, not simply repeat it. This is a public service site and in line with the remit of the BBC as a whole. Adding value is central to the strategic thought behind the site."

The other BBC radio networks are also looking at Real Audio capabilities. Radio 3 is planning a site to support the Proms concerts this year. But the BBC has to be careful about what it does. It has a worldwide reputation and could become a victim of its own popularity if it fuelled more demand than the network could cope with.

That is a problem for the people who run the site, such as Norman Rosenberg of the BBC's Multimedia centre: "The UK Internet backbone will not be able to support a full scale audio-on-demand service. The BBC therefore must start slowly and offer a limited service, rather than offering all five national stations plus the 30-odd local stations immediately live."

Rosenberg is cautious about moving the BBC on to the Net in its entirety, but remains a believer: "The Internet is the perfect medium for radio. It is an inexpensive means of reaching a global audience. The signal does not have to be mirrored by local radio stations but can be broadcast from one central server. The listener is no longer tied to a programmes timetable. He or she is able to access a programme when they like."

That vision of the future echoes the long-standing aspiration of some groups to develop video-on-demand across the Net. So is Net radio just a staging post on the way to video-on-demand?

Colin Lamont of Progressive Networks, Real Audio's developers, expects the development of video-on-demand to complement audio-on-demand. "Some asked if radio would be eliminated by TV. I think video-on-demand has its place, but audio will always be around. The future of multimedia will embrace video, but not everything we do will allow us to watch video while we concentrate on other things.

"Within the next few years we will see such products as wireless car radios from which you can choose radio stations from around the world broadcasting over the Internet."

Tim Jackson

What the Net has to learn from print

When people look back on the 1990s, what will the icon be that symbolises the dawning of the Internet as a mass communications medium? With the motor-car, it would probably be the spark-plug; with the telephone, the dial with its numbers and letters; with the universal postal service, the Penny Black. Judging by billboards that have appeared around London recently, the most powerful symbol of the Net for the people who do not use it is a string of incomprehensible letters, strung together with dots and slashes, that parodies a Net or e-mail address. The humour is evidence of a backlash; one advertiser is capitalising on it with the slogan "More fun than a mouse". But the real symbol of the Internet is not the curious syntax of its addressing system. A better candidate would be the "hypertext" link – a word or phrase in a document, usually underlined and displayed in light blue, that represents a cross-reference like the *qv (quod vide)* in an encyclopaedia.

There is an important difference between the electronic and paper versions. Whereas readers of books have to turn pages in order to follow references, the hypertext link on the Net does the looking-up for you. Place the cursor on it, click twice with the mouse, and you are instantly transported to a new page of information. The fact that the new information appears on a different computer, on the other side of the world, buried 11 levels down in a directory tree of Byzantine complexity, is irrelevant. Invisibly, immediately, effortlessly, the journey to the new page is made. This hypertext system is so simple that it is at first hard to appreciate its genius.

Previously, people who designed information systems for computers took an entirely different approach. In a database of personnel records, for instance, they would assign meanings to different buttons on the computer keyboard. Pressing the F1 key would show you someone's payslips, F2 their tax records, F3 their personal details, and so on. The beauty of the hypertext system is that it provides a blueprint for finding your way around information that is entirely independent of what the information is, and that places no obligation on the person doing the searching to learn anything special. A user sees a word or phrase that looks interesting, and clicks.

When I first saw the World Wide Web demonstrated, on a notebook computer belonging to a computer science professor at Carnegie-Mellon University, my first reaction was to say: "Is that it?" I had heard so much about the mystery and mumbo-jumbo of the Net that the simplicity of the hypertext principle was almost a disappointment.

Yet this simplicity makes it immediately comprehensible to any child who can read. An adult doing research can look through several hundred different documents in a single hour – far more information than could be "browsed" by conventional means. The ubiquity of hypertext links is a recognition by people who write for the Web that their readers can always learn more elsewhere. Journalists can include references to the press releases or documents on which they based their reports; critics can refer readers back to the document putting forward the point of view they are attacking. Things that are mentioned in casual asides can be linked so that those interested in them can find out more immediately.

But there is a danger in all this. The power of hypertext makes it easy to forget that it is ultimately nothing more than a navigational tool, which can become a distraction if over-used. Instead of reading something in its entirety, Web users are always hopping off to find something else, and endlessly chasing references and cross-references. It is the literary equivalent of channel-flipping on TV. Everything is reduced to a signpost to something else; nothing is a destination.

That is why we should raise a cheer to Michael Kinsley, the US political commentator who edits Microsoft's new online magazine, Slate. Kinsley has come under fire from Web enthusiasts for discouraging writers from scattering hypertext links all over their text.

In fact, Kinsley's policy is rather courageous. By discouraging indiscriminate linking, he dares to stand up and say: "This document is a work of art or of intellectual endeavour. It was designed to be read at a single sitting and in a particular order, and that's how we'd like you to approach it." Arrogant? Perhaps. But compare the Web with the destructive effect on music that has resulted from the random play button that appears on many CD players. Instead of listening to a piece of music in the order the composer intended, listeners now have "random access": they can hear the pieces on the CD in a randomly chosen order. That may work well for three-minute dance tracks; it makes nonsense of a symphony or an opera.

The wish to control the order in which a work is digested may seem presumptuous; but it is so much built into the technology of print that we take it for granted. Kinsley's approach has worked perfectly well with books and newspapers during the past few centuries. As more people who write for the Web adopt the approach, the chances increase that the Net will progress from a giant box of trivial fragments into a repository of real intellectual value.

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British Council opens Web 'shop window for culture'

By Stephen McGookin

For students in Brunei or engineers in Beijing, the British Council hopes the Web site it set up last week (*www.britcoun.org*) will provide a shop window for Britain's education, industry and culture.

Launching the site, Sir John Hanson of the British Council said the organisation – which operates in 109 countries – was "harnessing technology" to make friends and create business abroad for British companies.

"Information is not valuable in itself, it is what the user does with it," he said, emphasising that the council's aim was to draw the "right user to the right information."

Foreign office minister Jeremy Hanley said that "one of the most valuable functions the council fulfils is to provide people with their first contact with the UK" and that this will become considerably easier through the use of Net technology.

Digital Information Services manager Michael Thompson and his Manchester-based team have been working on the Web development project for 18 months, and have produced an elegant, easy-to-use and highly informative site: but one which is – for now – only in English.

"There are plans as the service expands to develop multi-language pages tailored to individual countries," Thompson says.

The council hopes to encourage British companies to use the Net to sell themselves to a specific, tightly focused overseas audience, by signing up as "partners", with their company information accessible through the council's branded Web gateway.

In the technology sector, one such shop window is the Take-Off exhibition, a travelling roadshow of 30 institutions and companies – such as Rolls-Royce and British Aerospace – which is touring China publicising British expertise in aviation.

This collaborative online "trade mission" is the kind of model that the council hopes will expand, enabling exporters to reach more potential customers, not merely those who attend the big city exhibitions.

There is a similar educational technology showcase also in development, with more sector-based efforts in prospect.

Another priority audience the site aims to reach is the under-25s. That audience comprises students – and Net users – who may be considering study in the UK.

The site offers a comprehensive "virtual campus" guide, working with partner universities and institutions. The council requires that each institution puts up a special welcome page specifically for visitors through the council site.

With about 10,000 scientific study visits to Britain each year, research information can be distributed more effectively.

For council staff themselves, going online has been educational. "It has been as much a culture change within the organisation," Thompson said. "Staff have spent the last six months learning how to embrace the technology."

But such a culture change is worthwhile. In the light of recently announced cuts to its budget (the government is seeking to reduce its grants by some 16 per cent during the next three years), the Net offers a new and cost-effective means of continuing the council's work.

● "Government, like dress, is the badge of lost innocence"; so said Thomas Paine, writer, revolutionary and outlaw, and it earned him a serious following among Internet users in the US – not to mention a death sentence for sedition in the England of 1792. *Wired* magazine dubbed him their "patron saint of the Internet" for speaking his mind in the face of government oppression. Now the great republican is finally recognised in his home country, with Paine in the Net (*www.tom-paine.co.uk*) offering historical information including details of Paine's obsession with, er.. bridges. Unfortunately, meeting times of the Paine-inspired debating society, The Headstrong Club, which numbers Tony Benn, Tim Rathbone MP and Ann Clywd MP among its members, are not included. *(JM)*

● ABC Radio's Moneytalk (*www.abcradio.ccabc.com/money.htm*) uses Real Audio technology to bring you Bob Brinker's personal finance advice show. You can also jump off to the main ABC News menu from here.

● Ashridge Management College has put up a nice, easy-to-use site (*www.ashridge.org.uk*), that allows prospective business students to get a flavour of the campus and the college's facilities.

● Check out the summer edition of The Virtual Gardener at *http://ovo.com/~gardenmag/cover.html* – an electronic magazine with organic roots. Produced in British Columbia, so references to the flora and fauna of the Pacific north west predominate, but it's nicely done and worth a browse if you have the odd green finger.

● Unable to be at Wimbledon this year? Never mind. Take the money you'd have spent on two punnets of strawberries and buy an ISDN line. Then you could listen to the live tennis commentary at the official Wimbledon site (*www.wimbledon.org*) operated by IBM, which uses Big Blue's new Bamba streaming audio player. The site's nice, has a NetCam inside the centre court and weather updates.

● Yellow Pages' Yell last week announced its UK web awards, with the excellent Toy Story (*www.bvi.co.uk/toystory*) winning Most Innovative Site. You are able to check the other winners at the Yell site (*www.yell.co.uk*).

● How can you resist the Bull and Bear Financial Center (*www.bullandbear.com*), which bills itself as the "cyber pub for lovers of the free marketplace" – and rather nifty it is too. Offers a chat room and details of courses, as well as information on stocks and commodities.

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Travel News · Roger Bray

Room with a price

Tax on New York hotel rooms has come down – but room prices are going up. The average daily rate has risen from $143 (£92) two years ago to an estimated $156 this year.

PKF Consulting, part of Pannell Kerr Forster International, says rates have been pushed up mainly because few new rooms are being built in the city at a time when demand is rising because of increased economic activity and a relatively cheap dollar.

Occupancy rates are forecast to reach 79 per cent this year, the highest since 1988. In 1993 the figure was only 69 per cent.

PKF attributes some of the rise in business to a cut of nearly one-third in the heavy state and city hotel taxes – down from 21.25 per cent to 15.25 per cent.

End of the paperchase

Business travellers could soon be making paperless expenses claims. A new system launched in the US automatically collates all credit and charge card transactions and sorts them out as air, hotel or car costs. The traveller then sends the claim by e-mail.

Cash expenses can be tapped in, though presumably most companies will continue to demand paper receipts for them.

The system, called ActOne has been devised by travel agency giant Carlson Wagonlit. Among its features is one that allows travellers to carry details of their company's negotiated hotel deals on their laptops.

Virgin bows out

Regular users of the Virgin Atlantic franchise service between London's City airport and Dublin will see changes from the end of the month when franchisee CityJet begins flying under its own colours, Kate Bevan writes.

The franchise is coming to an end by mutual agreement and CityJet will start its own services to the Irish capital from July 29.

● With its new service to Washington DC inconveniently operating from Heathrow's Terminal Two, Virgin has made special arrangements for Upper Class passengers. As long as they arrive 60 minutes before the flight departs, Upper Class travellers can still check in at the airline's main base at Terminal Three and use the Clubhouse, from where they will be bussed to the aircraft at Terminal Two.

Virgin hopes to move its Washington flights to Terminal Three by next summer at the latest.

The herd instinct

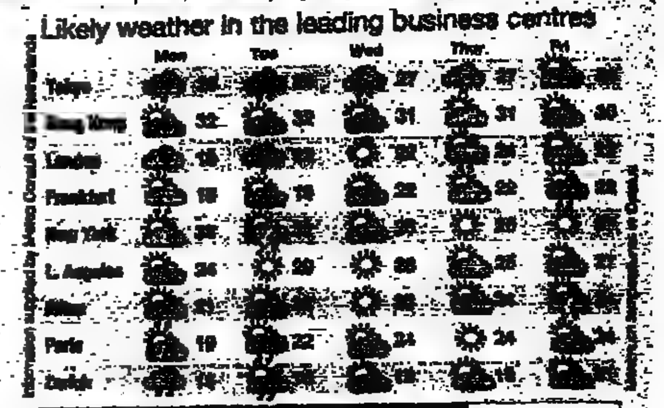
If you think flying is already uncomfortably akin to the migration of wildebeest, be warned. There is worse to come. Airbus Industrie now predicts worldwide demand for more than 1,300 airliners able to carry upwards of 500 passengers. Its own embryonic contender is a project known as the A3XX.

While you may not notice much difference once you have settled into your seat with a drink, imagine the chaos when an aircraft that big gets stuck overnight – and hotel beds have to be found for 600 or so frustrated passengers.

Pillow talk

It is the details that keep you going back to hotels. Management consultant Chris Daffy cites two noteworthy examples – one in Cheshire, the other in Spain.

On a winter's morning at Rookery Hall, Nantwich, he observed staff scraping the ice from cars – before their owners had checked out. And while staying at the Melia Madrid, he was full of wonder at the "pillow menu", which offers 10 choices, from the elastically sprung to the "odourless and anti-allergic".



Distant incentive to industry

South-east Asia is a popular destination for companies organising trips, says Kate Bevan

Not everybody's idea of a good time is a week in a distant city with 100 of their closest colleagues. Yet conference, incentive and meetings groups are a core part of the travel industry and many business travellers may find themselves on a group trip.

South-east Asia is a favourite destination for companies organising such trips, and the regional centres are going after a slice of the business. Singapore, in particular, is concentrating on wooing what is known as the Mice sector of the travel industry – meetings, incentives, conferences and exhibitions – with a concerted effort by the government-run Singapore Tourist Promotion Board to push its facilities and co-ordinate visits by groups.

The Singapore Convention Bureau, an offshoot of the tourist board, launched a campaign three years ago to increase its meetings business. This culminated last year in more than 200 conferences being held in the tiny city-state. Officials from the convention bureau fall over themselves to help anyone even thinking of running a group trip to the city.

Other regional centres are competing hard too. Three of the leading south-east Asian cities – Singapore, Bangkok and Hong Kong – have different attractions for organisers. John Lawson, director of Motivation Travel Market, an incentive travel group, says first impressions are very important.

"Singapore is seen as cleaner and safer," he says, but points to advantages of other cities in the region. "Hong Kong is very popular at the moment with 1997 just around the corner. People want to go there before it is handed back to the Chinese."

Yet Hong Kong, which has seen hotel prices rise sharply since the recovery of confidence by travellers following the end of the Gulf war, is felt to be expensive by operators such as Lawson, and Richard Pavitt, a consultant who has been organising incentive trips for many years. Pavitt says Thailand is better value for money than both Singapore and Hong Kong, although Singapore scores with both men for its shopping and safety, as well as its reliable infrastructure. There are none of the hour-long waits at red traffic lights in Singapore that travellers regularly encounter in Bangkok.

Once on such a trip, the traveller is expected to join in and have fun, and the organisers make sure it starts as soon as the group arrives. Lawson, for example, says he might lay on a group of lion dancers to greet the jet-lagged group at Hong Kong's Kai Tak airport, or Gurkha pipers at Changi, Singapore's airport.

Pavitt says an organiser can turn a disadvantage into a benefit at Bangkok by avoiding the traffic jams and transferring a group to the city centre by helicopter or by boat along the Chao Phraya river – one reason he tends to choose the riverside hotels in that city.

Once recovered from jet-lag, travellers on such a trip to south-east Asia can expect to spend two or three nights in the city and see some of the sights. But it is important to give people a taste of something they could not do for themselves, says Lawson. "People can easily buy a package and do the Grand Palace in Bangkok by themselves on a holiday," he remarks. "The idea is to give people a memorable travel experience."

A favourite device for memorable group fun is a theme party at a venue such as Singapore's Zoological Gardens, where ritual humiliations such as draping a python around the boss's neck may be on the evening's agenda.

"Hotels try and sell theme parties," says Lawson. "You can have an Italian or Mexican theme night in Singapore, or you can have a typical Malay evening." However, "people appreciate free time," he says. "The trick is to present it as something very casual and leave people to make up their own minds about what they want to do. You can suggest alternatives – say a trip to a night market, or a Singapore Sling at Raffles – and then they decide."

Organisers agree that a two-centre trip is the most popular. Both Lawson and Pavitt say they like to spend two or three nights in a city and then get out to somewhere different. From Bangkok, Pavitt says it is reasonably easy to reach Hua Hin, a resort village on the west coast of Thailand 140 miles from Bangkok. Lawson likes to combine trips in Singapore or Bangkok with a trip on the Eastern & Oriental Express, sister of the Venice-Simplon Orient Express.

For those prepared to fly, the Malaysian island of Penang is a regular second stop on such a trip from Singapore, while Bali is a short flight from Bangkok and has "value impact" in the organiser-speak, and the mountains and temples of the region around Chiang Mai in the north of Thailand are under an hour away by air.

But the incentive business is a trend-driven one. South-east Asia may be winning business now, but next year somewhere else could overtake it. "For example, South Africa is the trendy place now," says Lawson. "You can't tell. One year they all go east, one year they all go west."

How to catch a bargain in a web

Airlines offer rock-bottom fares on the Internet, says Laurie Morse

Working long hours in a strange city is bad enough, but if you are stranded away from home at the weekend and your expense account does not extend to leisure travel, your laptop computer may hold a little bonus for you.

Airlines are increasingly turning to the Internet to market empty seats at bargain prices. The biggest bargains on the Net at present are American Airlines' *Net* SAAver fares. Launched in May, these fares are marketed exclusively on the Internet and apply only to last-minute travellers who can depart on a Saturday and return on the following Monday or Tuesday.

Travel deals are mainly within the US, apply only to non-stop flights, and often have Chicago, Dallas, or Miami as a destination or departure point. Unlike some discount fares that hardly seem worth the bothersome restrictions, Net SAAver savings are enticing, with prices often 10 per cent of published last-minute fares.

Examples of recent Net SAAver deals are $109 (£71) return between Chicago and Boston, $139 return between Dallas and San Diego or Miami and Toronto, and $269 return between New York and San Francisco.

American distributes the weekend fares every Wednesday by electronic mail. Interested travellers must subscribe (at no charge) in advance by calling up American's Net SAAver page on the World Wide Web at: *http://www2.amrcopr.com/cgi-bin/aans.* Predictably, the number of seats at these fares are limited, and experienced web travellers say it is best to book deals before Wednesday evening.

Surprisingly, you cannot buy your Net SAAver tickets on the web, but reservations can be made on-line, or by calling a free telephone number. Tickets are picked up at the airport on departure.

The web also gives travellers outside North America easy access to low-cost US airlines that do not have international reservation arrangements. Southwest Airlines, which travels to 47 US cities and is among the least expensive US carriers, has an interactive Internet reservation process that allows customers anywhere in the world to see where the airline flies, select from a range of fares and departure times, and then book a trip using a credit card. In this process, tickets are obsolete, and a reservation code is all that is needed to claim a seat at the gate.

Unlike the Net SAAver deals, Southwest's best fares are for reservations made two weeks or more in advance of travel, so it is advisable to browse the Southwest Internet site before you leave for the US. Southwest's Internet address is *http://www.iflyswa.com.*

Do not be surprised if an air-fare bargain entices you to a place you have never considered visiting before. Mr Ernie Altvader, a printing executive from southern California, says: "If you're willing to try things on the Internet, there are so many advantages."

In addition to finding bargain air-fares for leisure travel, he uses the Internet to ferret out points of interest and special events near his destination.

One Net site he recommends for trip planning is Mapquest *(http://www.mapquest.com)*, a jazzy interactive atlas of the US that provides everything from driving direction and road maps to highlights of regional attractions. It even shows where to find the nearest bank, should bargains other than air-fares beckon.

ARTS

OPENINGS

THE HAGUE
The North Sea Jazz Festival, which begins on Friday is surely the biggest event in the jazz calendar. Headliners this year include B.B. King (left), Branford Marsalis and Herbie Hancock. But with more than 200 concerts across 13 stages in one weekend, it is almost easier to list who isn't appearing.

LONDON
Ibsen's "John Gabriel Borkman" opens at the National Theatre on Thursday. Directed by Richard Eyre, the cast is led by Paul Scofield, Vanessa Redgrave (right) and Eileen Atkins.

PARIS
At the Paris Opera, the young and brilliant hopefuls of the ballet company are on show this week in evenings dedicated to "Jeunes Danseurs".

MILAN
Gershwin's "Porgy and Bess" will be performed at La Scala this week for the first time in more than 40 years. The production, conducted by John De Main and staged by the choreographer Hope Clarke, was first mounted at Houston Grand Opera 18 months ago, and has since toured the US. The first of eight performances is on Friday.

BERLIN
An unusual exhibition of art from the Silk Road opens at the Museum für Volkerkunde on Friday. Ranging from the fourth century to the present, it includes more than 1,000 objects from the region now known as Uzbekistan. The exhibition will illustrate the development of the Silk Road as an artery for trade in precious goods, and also the role it played in spreading the great religions of the world.

NEW YORK
To accommodate the new Lincoln Center festival, this year's Mostly Mozart has been split into two parts, beginning tomorrow and Wednesday with a programme featuring Itzhak Perlman and Pinchas Zukerman as violin and viola soloists. After the first two weeks of concerts, Mostly Mozart takes a break, returning on August 12 for a further fortnight.

KUHMO
Surrounded by the lakes and forests of northern Finland, Kuhmo is a chamber music festival where setting and artistic climate combine to create an experience few visitors are likely to forget. Haydn (above) and Mozart, plus contemporary Danish and Polish music, are the themes of this year's programme. The festival opens on Sunday and runs for two weeks.

Showbiz: Placido Domingo, Jose Carreras and Luciano Pavarotti with conductor James Levine at Wembley Stadium

A romp with no novelty

The Three Tenors show has completed its life-cycle, writes **Peter Aspden**

The shocking first notes told us this was not going to be an entirely serious occasion. Not that there was anything wrong with them; at least not when they started out. It is just that, after leaving José Carreras's mouth, they insisted on savouring the atmosphere of this famous stadium for a moment or two, went on a lap of honour, and bounced back with a vengeance from the stands opposite.

In a word: echo. But this was not the night to judge refinement of technique, nor subtlety of tone. This was showbiz at its corniest, and who was arguing about the odd reverberation? By the encores, we were so used to hearing double that we were treated to a virtual reprise of the entire medley finale which closed the concert proper.

I wasn't sure about this. To sing one "O Sole Mio" under a threatening sky was careless; but to sing it twice was asking for trouble. It was all very well for Plácido Domingo to wave ironically at the clouds; he did not have a steward barking at him to lower his umbrella.

I blame Luciano Pavarotti, who had flicked a contemptuous eyebrow skyward during his "La mia canzone al vento" and defied the elements to carry him away: *"Vento, portami via con te"*. The stiff breeze thought about it for a minute, but decided against. Instead we had the inevitable downpour during the first half's climax, the skies opening up for "Torna a Surriento". Most of the crowd was in the stands under cover, but some were on the pitch and they wished it was all over.

But the interval did the trick. You could buy plastic bags and all the Three Tenors merchandise you could wish for (although three tenners were not enough to buy a sweatshirt of the great ones).

By the time the second half started, the skies had taken pity on the £350 seat holders. So had the singers, who, with proper showbiz timing, visibly moved up a gear or two. The first raucous cheers of the night came for Carreras's "Granada". Domingo followed with "E lucevan le stelle" and Pavarotti with a toe-curling "Nessun Dorma".

As in all mega-concerts, video screens meant you could enjoy the occasion communally or intimately. The crowd unsurprisingly took a while to summon up the clamour expected of it, so I suspect most eyes were on the screen, lapping up those telling details: Domingo's charmingly crooked grin, Carreras's total commitment, Pavarotti's ingenuous smile.

The voices were all fine, although Carreras occasionally overstretched himself and Pavarotti, "Nessun Dorma" aside, looked subdued. James Levine and the Philharmonia gave solid support and turned up the heat when necessary. But the most serious problem they all faced was over-familiarity. Sell-out crowds notwithstanding, the whole Three Tenors phenomenon has clearly reached the end of its life-cycle. One longed for some novelty, a guest appearance from a Fourth Tenor, or a rogue soprano, or even Noel Gallagher.

Instead there was that smooth, unexceptional finale: "Maria" and "Tonight" from *West Side Story*, "Mattinata", "Amapola", and an unfortunate "Moon River", a lovely song which requires coolness and understatement, virtues which are dispatched to oblivion when the Three Tenors get together for a romp. And then on to those encores: the hammy "O Sole Mio", which turns into a warbling competition, is fair enough and was much enjoyed. But it really is extraordinary that, with the exception of "La donna è mobile", they could not find a single new song from that "vast repertoire" to which Carreras refers in his programme notes.

A suitable farewell appearance, then; the kind which reminds you of why goodbye needs to be said, rather than leaves you wanting more. One final reprimand for those hype artists who boasted that the singers "clearly have the power to stir up as much excitement... as the 200 international soccer stars (of Euro 96)". As one who was lucky enough to have been at the same stadium 10 days previously for England's semi-final against Germany, one word, with all the echo and reverb I can muster: no.

The title sponsor of The Three Tenors was JAL.

Theatre/**Alastair Macaulay**

O'Neill's long journey

Long Day's Journey into Night is widely regarded as Eugene O'Neill's greatest play, and as one of the masterworks of American theatre. I love it, and yet I find it one of the most peculiar plays: it is among the most autobiographical, and there are moments when you wonder why, 43 years after O'Neill's own death, a British audience should be attending to the family facts surrounding his early life. In its study of dangerous illness and of addiction and quasi-Oedipal affection, it recalls Ibsen's *Ghosts*, a play written with far greater dramatic suspense.

Far from suspense, *Long Day's Journey* is an exercise in dramatic inevitability beyond anything in Greek tragedy, and twice as long. As performed at present at the Young Vic, it lets us know in its first half-hour that Mrs Tyrone has returned to her old addiction to morphine and that she has never been able to create a proper home for her family, that her husband James is a famous actor but has been a bullying old skinflint with appalling effects on all his family, that their son Jamie is an alcoholic, and that their younger son Edmund is about to be diagnosed as having consumption.

All these become clearer as the play proceeds, which takes (with one interval) three hours and 40 minutes.

The beauty of *Long Day's Journey*, however, is in its eloquent and increasingly lyrical scrutiny of the interior workings of a family. O'Neill took the material of both Greek tragedy and Ibsenist drama and, in the full light of modern psychoanalysis, set them on American soil. The child that died; the son whose birth spoilt everything; the disappointments of a great career; the corroding envy of a brother's talent; the false economies that led to medical ruin; the nostalgia for life before marriage.

These buried secrets gradually become part of the landscape, and, as we become used to seeing them, we start to forgive the characters. They, however, do not welcome the full glare of honesty, and Mary longs only to put as much between it and herself as possible. Fog and light are the dominant metaphors of the play.

Everything about Laurence Boswell's production at the Young Vic is good, but not all of it is quite good enough to bring off every aspect of this difficult play. The tempo is too steady; the pacing needs more dynamic contrast. The Irish/American accents are fair *per se*, but the inflections and placing of the voices remain sometimes too British.

Richard Johnson has the gruff exterior of James Tyrone, but misses both the tyranny and the old-thesp grandeur of the role, and its more searing anguish. Penelope Wilton at first does not convince in the quotidian nervousness of Mary Tyrone, but keeps disclosing more variety and pain and lyricism within the character. Gradually she makes her escapist psyche the extraordinary deep centre of the play, and she is beautifully supported by the two fine performances of the actors playing her sons.

Admittedly, Mark Lambert's Irish accent sometimes becomes too strong for the role of Jamie, and Paul Rhys does not persuade us that his Edmund was once a sailor; but we believe in them, and in their nervous systems, from the first. Rhys, whom I have never seen act so well, actually becomes a centre of psychological authority to the entire play, and Lambert, in his big drunk scene, expresses the play's blackest bile in one compelling outpouring.

Young Vic, SE1.

Barclays New Stages/**Sophie Constanti**

Sophisticated lunacy from established experimentalists

This year, the Barclays New Stages festival has been showcasing some of our more established and irreverent experimentalists of the theatre – Ken Campbell, The People Show and The Brittonioni Brothers.

The Brittonioni Brothers' double act, originally forged in 1983, is riotously funny. It features Timmy and Chrissy (Britton), a pair of internationally-acclaimed, preposterously self-important film makers who jet set around the world collecting awards for their iconoclastic and rather cack-handed cinematography. Obsessed, deluded and completely maniacal, Timmy and Chrissy are braying luvvies whose dress sense points to a shared wardrobe with Les Patterson. Together, they guide us through a retrospective of some of their most ground-breaking films, including *Rollerblind*, *Bidet* and *Who Shot the Cameraman*.

Gratitude to their sponsors is indirectly conveyed through plugs for every High Street bank except Barclays: one brother welcomes us to the Lloyds Bank Festival of avant-garde film while the other alludes to the Midland Bank Film Festival and informs us that the Brittonionis' *Experiment in Contraprojection* – the highlight of the evening – has been specially commissioned by Nat West. Such inaccuracy over nomenclature is entirely in keeping with the brothers' giddy hyperactivity.

While their bumbling incompetence and insalubrious appearance set the Brittonionis apart from such celebrated sibling partnerships as the Taviani brothers, they also heighten their shambolic charms and rather dubious principles.

A lunacy of thoughts is also at the heart of Ken Campbell's *Theatre Stories*. Campbell, a bushy-browed, madcap raconteur, comes armed with a rich store of tales and anecdotes, all relating to his career in the theatre – as actor, director, writer, comedian and observer over the last 30 years.

Campbell has a restless intellect coupled with a sophisticated taste in practical jokes. Some careful artwork on official notepaper was all it took to turn the RSC into the Royal Dickens Company after a production of *Nicholas Nickelby*. The heroic circuitousness of stories such as the RSC hoax (with its batch of letters signed "love Trev" [Nunn]) is what makes listening to Campbell such a stimulating experience. Were it not for the philosophical inquiry with which Campbell continuously frames his subject matter, *Theatre Stories* might well degenerate into a set of fables on actors and acting – although he occasionally veers too close to the luvviedom he seeks to satirise.

Mark Long in The People's Show's *The Solo Experience* (a reworking of the group's 1992 production) suggests that art, like Einstein's Theory of Relativity is something that everyone's heard of but no-one understands. He then attempts to lead us from the first to the fourth dimension through a mix of jokes, poems, a dance or two and a script so bogged down by tortuous repetition that, unsurprisingly, both audience and performer lose interest in it.

In Ken Campbell's hands, *The Solo Experience* might be a more vivid piece of theatre. But the show's personalised content renders it, like Campbell's work, non-transferable. Likewise, it's hard to imagine Campbell and Long playing the Brittonioni Brothers. Such roles are not interchangable because they are built upon peculiar and individual fusions of autobiography and imagination.

Ken Campbell's new show "Violin Time" opens at the Royal National Theatre in September. The Brittonioni Brothers, as Forkbeard Fantasy, present "The Fall of the House of Usherettes" at the Lyric Theatre, Hammersmith, September 10-28.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● *Bournemouth Symphony Orchestra*: with conductor Yakov Kreizberg and violinist Christian Tetzlaff perform works by Vasks, Mendelssohn and Tchaikovsky; 8.15pm; Jul 9
EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● *A Hundred Photographs*: exhibition showing a selection of works from the museum's photography collection, including works by Man Ray, Robert Frank, Ed van der Elsken, Nan Goldin and Nobuyoshi Araki; to Aug 18

■ BERLIN

EXHIBITION
Berlinische Galerie - Martin-Gropius-Bau
Tel: 49-30-254860
● 100 Zeichnungen - Ausgewählt aus der Graphischen Sammlung der Berlinischen Galerie: exhibition of 100 drawings from the museum's collection, spanning the period from the end of the 19th century to the present; to Aug 4

■ BOSTON

EXHIBITION
Museum of Fine Arts
Tel: 1-617-267-9300
● Yousuf Karsh: exhibition featuring approximately 120 photographs by Yousuf Karsh who has portrayed many legendary figures of the twentieth century, including G.B. Shaw, Churchill, Kennedy, Einstein and Auden; from Jul 9 to Oct 20

■ COPENHAGEN

CONCERT
Tivoli Concert Hall
Tel: 45-33 15 10 01
● Kobenhavns Ungdomssymfoniorkester: with conductor Morten Ryelund Sorensen and soloists Johannes Soe Hansen and Dmitri Golovanov perform works by Mozart, Nielsen and Brahms; 7.30pm; Jul 10
EXHIBITION
Nationalmuseet - The National Museum Tel: 45-33 13 44 11
● Sultan, Shah and Great Mughal: exhibition focusing on the religion, history and culture of the world of Islam; to Sep 29

■ DUBLIN

CONCERT
National Concert Hall - Ceoláras Náisiúnta Tel: 353-1-6711888
● The Irish Chamber Orchestra: with conductor Fionnuala Hunt and violinist Franco Gulli perform works by Torelli, J.S. Bach, Vivaldi and Respighi; 1.05pm; Jul 9

■ GHENT

CONCERT
De Vlaamse Opera
Tel: 32-9-2230681
● Koninklijk Filharmonisch Orkest van Vlaanderen: with conductor Grant Llewellyn and baritone José van Dam perform works by Mendelssohn, Mortelmans, R. Schumann, Wagner and Mahler; 8pm; Jul 9

■ GLASGOW

EXHIBITION
The Burrell Collection
Tel: 44-141-3311854
● The Hidden Heart: Tapestries by Lynne Curran: exhibition of approximately 30 tapestries by Lynne Curran, who exploits techniques of weaving based on the methods used 2,000 years ago in "Coptic" Egypt; to Oct 6

■ LEWES

OPERA
Glyndebourne Opera Festival
Tel: 44-1273-812321
● Eugene Onegin: by Tchaikovsky. Conducted by Gennadi Rozhdestvensky and performed by The London Philharmonic. Soloists include Sarah Connolly, Ludmilla Filatova, Wojciech Drabowicz and John Fryatt; 5.10pm; Jul 8, 13

■ LIVERPOOL

EXHIBITION
Tate Gallery Liverpool
Tel: 44-151-7093223
● Joan Miró - Printmaker 1933-63: exhibition of etchings, dry-point engravings, lithographs and aquatints by Joan Miró, giving an overview of the artist's graphic work; to Aug 26

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● David Watkin, Howard Moody and Lynne Dawson: the cellist, pianist and soprano perform works by Beethoven, Duparc and Pott; 7.30pm; Jul 9
EXHIBITION
Royal Academy of Arts
Tel: 44-171-4397438
● Roger de Grey - Painter: an exhibition of the work of Sir Roger de Grey, president of the Royal Academy, who died in February 1995. The exhibition includes paintings and a selection of drawings; from Jul 11 to Sep 22
MUSICAL
Prince Edward Theatre
Tel: 44-171-7348951
● Martin Guerre: by Alain Boublil, Herbert Kretzmer and Claude-Martin Schonberg. Directed by Declan Donnellan. The cast includes Iain Glen; Mon - Sat 7.45pm, Thu, Sat also 3pm; from Jul 10 (not Sun)

■ LOS ANGELES

EXHIBITION
MOCA at the Temporary Contemporary Tel: 1-213-621-6222
● *Hall of Mirrors: Art and Film since 1945*: this exhibition focuses on the relationship between cinema and the visual arts from about 1945 to the present. The show tries to demonstrate how art has been under the spell of cinema, how film has been under the influence of art and how the two have fused into new forms of artistic expression; to Jul 28

■ MUNICH

OPERA
Nationaltheater
Tel: 49-89-21851920
● Aida: by Verdi. Conducted by Roberto Abbado and performed by the Bayerische Staatsoper. Soloists include Gerhard Auerand Nina Terentieva and Julia Varady; 7pm; Jul 9

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Tokyo String Quartet: with pianist Claude Frank and clarinettist Richard Stolzman perform Mozart's String Quartet in C major, K465 (Dissonance), Piano Quartet in G minor, K478 and Clarinet Quintet in A major, K581; 8pm; Jul 11
EXHIBITION
Solomon R. Guggenheim Museum
Tel: 1-212-423-3600
● In/Sight: African Photographs 1940-Present: exhibition, including more than 130 works by 28 artists, exploring the achievements of photographers from Africa in the years that marked the emergence of independent African states; to Sep 29

■ PARIS

DANCE
Théâtre National de l'Opéra - Opéra Garnier
Tel: 33-1 42 66 50 22
● Coppélia: a choreography by Bart after Saint-Léon to music by Delibes, performed by the Ballet de l'Opéra National de Paris and the Orchestre de l'Opéra National de Paris; 7.30pm; Jul 10, 12

■ SAN FRANCISCO

EXHIBITION
SFMOMA - Museum of Modern Art
Tel: 1-415-357-4000
● Alfred Stieglitz at Lake George: this exhibition of approximately 100 works investigates the late work of the American photographer Alfred Stieglitz, with special attention to the elegiac images he produced at his family home in Lake George, New York; to Sep 22

■ TORONTO

MUSICAL
OKeefe Centre for the Performing Arts Tel: 1-416-393-7474
● West Side Story: by Arthur Laurents, Leonard Bernstein and Stephen Sondheim. Directed and choreographed by Alan Johnson, based on Jerome Robbins' original direction and choreography. The cast includes Scott Carollo, Marcy Harriell, Natascia Diaz, Jamie Gustis and Vincent Zamora; Tue - Fri 8pm, Sat 2pm & 8pm, Sun 2pm & 7.30pm; from Jul 9 to Jul 14

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Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Michael Prowse · America

Dethroning Adam

A libertarian history of economics argues that Adam Smith did more to pave the way for Marxism than free market principles

Members of the Adam Smith Institute of London should hang their heads in shame. Their patron saint was not the greatest free-market economist who ever lived. He did not invent economics as an academic discipline. He was a bumbling interventionist who set back progress in economic theory by a century and paved the way for the horrors of Marxism.

I found these strong claims in what must be the most readable history of economic thought ever written – Murray Rothbard's delightful two-volume set* published in 1995. Rothbard, who died last year, was a mainstay of the American libertarian right and one of the few US economists to write in the Austrian tradition of Ludwig von Mises and Friedrich Hayek. He finished his career as an economics professor at the University of Nevada and as academic adviser to the Mises Institute in Alabama.

Rothbard finds Smith's reputation as an exponent of free markets laughably overblown. He points out that Smith, in addition to supporting public works and state education, favoured bank regulation, a progressive income tax, rigid usury laws and numerous other interventions. In almost every respect, says Rothbard, his views marked a retreat from the stricter liberalism of near contemporaries such as the French economist Turgot.

Nobody who truly believed in personal liberty, he claims, would have chosen, as Smith did, to spend his final decade as a tax collector. Quoting a 1785 letter in which Smith boasts to fellow officials that Scottish customs revenues had quadrupled in the past seven or eight years, Rothbard comments: "Well happy day! *This* from an alleged champion of laisser faire!"

Turning to high theory, Rothbard describes Smith's conception of economic value as an "unmitigated disaster". At issue is an age-old question: what determines the value of goods and services? The correct answer is our subjective valuations as consumers. A good is valuable only to the extent that people demonstrate a desire to purchase it rather than something else. If our tastes as consumers change even a good that is scarce will cease to command a high price. Such a theory of value ought to be intuitively obvious; after all what could confer value on inanimate objects but the decisions of valuing individuals?

Smith, however, concluded that value is ultimately determined not by the consumer but by objective costs of production. Something is expensive, in other words, not because people value it highly, but because it costs a lot to make. And in at least one passage, he argues that the fundamental cost of production is the quantity of labour "embodied" in a good.

"What is bought with money or with goods is purchased by labour, as much as what we acquire by the toil of our own body . . . They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity," Smith wrote.

With this "colossal blunder", argues Rothbard, Smith unwittingly injected into economics the infamous "labour theory of value" that formed the theoretical underpinning of Marxism. If the value of goods is ultimately to be found in the labour expended in their production, Karl Marx was right to condemn capitalism for exploiting workers. He was simply pursuing the arguments of Smith and other "classical economists" to their logical conclusion.

If Marx had understood subjective utility theory – the notion that consumers confer value on goods and, therefore, exert ultimate control over the capitalist process – the course of history might have been different. The world might have been spared numerous, disastrous communist revolutions.

But can Smith be blamed for failing to understand a theory that was invented a century after his death? Yes, says Rothbard, because prior to the *Wealth of Nations*, economics was heading in generally the right direction. The first 400 pages of Rothbard's first volume are a discussion of economic theory prior to Smith – from Aristotle and the Spanish scholastics to Richard Cantillon, a brilliant 18th century theorist whom Rothbard describes as the true founding father of modern economics.

Rothbard's controversial claim is that many of these writers grasped the importance of the consumer as a source of value, even if they failed fully to articulate utility theory. In his *Essai* of 1755, for example, Cantillon argues that prices depend on "the humours and fancies of men and on their consumption". In other words the costs that can be incurred in producing something depend on the price it will command rather than vice versa.

According to Rothbard, Cantillon also grasped the crucial role of the entrepreneur in capitalism (something glossed over by Smith and his English successors) and was far ahead of his time in monetary theory. Smith, he maintains, blotted out the achievements of his talented predecessors and "tragically shunted economics on to a false path".

Rothbard is too hard on Smith who by the (admittedly dismal) standards of 20th century economists genuinely did favour limited government and mostly free markets. Nor, as he admits, are his criticisms entirely original: economists Paul Douglas, Joseph Schumpeter and Emil Kauder have all levelled similar charges. But Rothbard's combative style is invariably stimulating and often illuminating. He avoids the trap that has ensnared so many historians – a reverence for the great masters so excessive as to dull their critical faculties. Nobody who reads Rothbard will see economic history in quite the same way again.

Sadly, he did not live to write the third volume of his history which would have covered the modern era. Having seen what Rothbard did to Smith, one wonders how he would have found adjectives sufficiently perjorative to describe the errors of Keynes and his followers.

**Economic Thought Before Adam Smith and Classical Economics. Published by Edward Elgar, UK, 1995.*

Adam Smith (left) laid the groundwork for Karl Marx

LETTERS TO THE EDITOR

India stand on nuclear disarmament justified

From Mr A.P. Arya.

Sir, Your editorial "Test ban talks in trouble" (July 1) is unduly critical of India. Without arguing as to why India's insistence on acceptance of a timetable for total nuclear disarmament by five declared nuclear powers is "so unrealistic", you have labelled it as "obstinacy".

Is total nuclear disarmament not the ultimate goal or is it just a ruse to coerce other nations to bind themselves to remain non-nuclear while five nuclear nations would, as you subtly mentioned, indefinitely enjoy the global influence by virtue of remaining nuclear? Who are they kidding?

The time has gone when India could be bullied to sign on dotted lines. Everyone should realise that India has refrained from making nuclear weapons in spite of having a hostile nuclear power on its northern border and another threshold nuclear power existing on anti-Indianism in its neighbourhood, even though it achieved a successful nuclear explosion 22 years ago.

If it had wanted to, it could have become a sixth nuclear power a long time ago. India's stand all along has been very clear, unambiguous and justified.

A.P. Arya,
15 Osterley Gardens,
Thornton Heath,
Surrey CR7 8DH,
UK

Bad move for competition

From Mr Peter Stevens.

Sir, Stena Line has joined with P and O in urging the UK government to relax rules preventing co-operation between Channel ferry operators ("Stena goes for *rapid solution to profits gloom*", July 3). Why?

As a regular traveller across the Channel, and using which ever service is most convenient, I enjoy the benefits of the present competition between three ferry operators and Eurotunnel.

If Stena cannot compete, surely the answer is in its own hands – withdraw.

If two of the present operators combine to fix prices and schedules, it can only be the customer who suffers.

Peter Stevens,
Simon van Leeuwenstraat 30,
5652 SG, Eindhoven
The Netherlands

Smoking comparison has been given spurious logic

From Mr Jonathan Dawson.

Sir, Your newspaper on Thursday (July 4) carried an advertisement from Philip Morris Europe which seeks to set "second-hand tobacco smoke in perspective". Some other potentially cancer-inducing activities are identified and tabulated according to relative risks, with apparently good scientific or academic credentials supporting the analysis.

The advertisement in effect proposes that, because a selected number of activities which are not under threat of legislation may have a higher potential mortality rate than the risk of contracting lung cancer from second-hand tobacco smoke, a campaign against second-hand tobacco smoke is unjustified.

The proposition is, of course, bogus. All the other activities selected by Philip Morris are voluntary: we eat biscuits, cook in fat, drink milk because we choose to do so. Equally, we can choose not to, and we can find satisfactory alternatives. The point about second-hand smoke is that it is involuntary. We are compelled to ingest it, often against our wishes and in circumstances over which we generally have little control.

There may well be good libertarian arguments in favour of eschewing limitations on a person's right to smoke.

There are also good arguments the other way which, I declare, I support. However, any debate is profoundly damaged by spurious logic of the sort advanced by Philip Morris.

Jonathan Dawson,
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Surrey KT22 8EY,
UK

Not his to give

From Mr Adrian Day.

Sir, You report that President Clinton is "to give parents mandatory time off" so they can attend to personal duties ("Clintons show their family strength", June 25). How generous of the president! It is very easy for politicians to "give away" things that they do not own, and for which they do not have to pay.

Adrian Day,
investment analyst,
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Annapolis,
Maryland 21401, US

A better way for choosing leaders of international organisations

From Mr David Barton.

Sir, Your editorial "US v Boutros" (July 4) reminded me of a passage in a booklet I wrote at the end of 1995 entitled *The United Nations Comes of Age*, sponsored by the Wyndham Place Trust.

With tongue not far from cheek under the heading "An International responsibility" I wrote:

"It is unacceptable that important and influential appointments to international organisations should be made in a haphazard way and often after an interminable delay whilst national governments fight it out between them. The following recent examples of important posts illustrate the point, some to a much greater degree than others. The President of the European Commission, the Secretary General of the United Nations, the Head of the new World Trade Organisation, the Secretary-General of the OECD, the Secretary General of Nato. To emphasise a different point, why should the President of the World Bank be chosen by the American government?

"These are all posts that require a person of wide experience, or known ability, at home in the world of international diplomacy and with the requisite integrity and independence. One suggestion is that the World Court should select 'Three Wise Men', probably retired, to interview in confidence candidates of the highest calibre proposed by national governments and ensure that the most suitable are selected regardless of nationality, colour, creed or sex. No doubt there are other methods of obtaining the desired result which, if achieved, would be a step forward in that the international community would be a fact and not a fiction. There must be a better way than the present one of finding the best person for the job."

Additions, amendments and refinements proposing a better way would be welcome.

David Barton,
Loafers,
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West Sussex, PO18 8HL, UK

Manchester's silver lining

The IRA bomb is being treated as an opportunity to redesign the city centre, says Richard Wolffe

In any ordinary city it would have been just another day's shopping. But in the centre of Manchester at the weekend, the crowds of bargain-hunters meant something more than the start of the summer sales. As the Arndale shopping centre opened its doors for the first time since the IRA bomb three weeks ago, Mancunians were repeating what has almost become the city's new motto: you can bomb the heart of the city, but you cannot bomb its soul.

The slogan has become a mark of Manchester's spirit since the bomb as traders struggle with temporary premises and shoppers watch the demolition teams. The 1,000lb blast devastated the city's central shopping streets and injured more than 200 people. Yet the talk today is of building a better city, not merely patching up the past.

That talk moved a step closer to reality last week when the government pledged £21m of regional aid funds to help rebuild the city centre. The sum may be small compared with the estimated £300m cost of the damage, but the city hopes it will act as a catalyst for a unique project to re-design not just the bombed streets but the whole central area.

Visiting the site for the second time since the blast, Mr Michael Heseltine, the deputy prime minister, forecast that "hundreds of millions" would pour into Manchester. The city has already launched an international architectural competition to encourage ideas.

The reconstruction will be led by a taskforce of public- and private-sector figures, headed by Sir Alan Cockshaw, chairman of Amec, the Cheshire-based construction group which has been a partner for the city council in projects such as Manchester's "supertram" network. "The government, the city and all the property owners have by and large agreed that instead of simply looking at each building, this is a one-off chance to take a radical look at the city," Sir Alan says. "We want to see if all this carnage might end up with something rather special."

One of the main tasks is to improve the city centre's transport links. The main shopping streets around the site are likely to remain closed for several weeks while surveyors establish the full extent of the damage. In that time, the taskforce hopes to come up with ideas for re-directing traffic, extending the tram network, and creating more open space for shoppers.

On the up: work begins on Manchester's shattered Arndale centre

However, the grand visions for the city cannot ease the immediate problems of those still struggling to cope with the aftermath of the bomb.

Several hundred small traders remain locked out of their stalls and shops, as key buildings – including much of the Arndale Centre – are still too dangerous to enter. The delay in re-opening buildings is causing crippling debts for traders. Nobody knows how many small traders have already closed for good.

The Market Centre, which forms part of the Arndale complex, re-opened 10 days ago, but several fresh food and grocery traders were ruined as their stock rotted in the days which followed the blast. Others in the market have relied on savings to tide them over. Mr Mahendra Dhul, who runs Dhul Knitwear and Fashionwear, has applied for council funds to recover at least part of the £6,000 losses he suffered during the two-week closure.

"Even now the business is not the same as it used to be," he says. "People are still not coming in. It is just the regulars, the people who live in the surrounding areas."

Rock Stop, another small clothes retailer, is a typical family-run business with one small unit in the Arndale Centre and another in the nearby Coliseum shopping centre. Mrs Marlene Phillips, whose daughter owns the business, says: "The minute the bomb dropped it was as if someone had frozen everything at that moment. Everything is in the Arndale Centre – the cheque book, our stock. My daughter had two pieces of stale toast for lunch the other day because we have no income. Hopefully we will come out in a year's time saying it's wonderful that we weren't hurt. But what do you do until then?"

Some small traders have moved into alternative shops, and landlords such as Frogmore Investments, which owns the Corn Exchange, have offered to release tenants from their contracts. Manchester council is providing temporary accommodation in areas of the city centre which it has wanted to regenerate for years, such as the rag trade district of the Northern Quarter.

For larger businesses, particularly in the service sector, the damage has been limited by the combined efforts of the business community.

The Chamber of Commerce linked with the Training and Enterprise Council and the city council to provide advice and co-ordinate help. A telephone helpline was inundated with calls for advice on dealing with banks and creditors. This was followed by a service to help re-locate homeless businesses in empty office space. Now smaller businesses are being offered help to draw up recovery business plans to cope with the losses caused by the bomb.

It is this teamwork which has given the city's political and business leaders the confidence to go ahead with the more radical plans to re-design the city centre. "One of the delightful things that has taken place is the lack of prevarication in the city," said Mr Richard Smith, executive director of Manchester Tec.

"It could be something to do with this city, but people have got on with things in a very practical way. Now we want there to be a silver lining, to do something with Manchester that people always wanted to do before."

Part of that confidence comes from the city's economy, which has performed relatively strongly this year in line with its financial services industry and the aerospace sector nearby. But Manchester also draws on its sporting success – from the football trophies of Manchester United to the city's staging of the Commonwealth games in 2002.

Sir David Trippier, the former minister for inner cities, now heads Marketing Manchester, the promotions organisation launched just one month before the IRA attack. "The bomb has brought people together in a way that would never have happened normally," he says.

"There is a buzz about the place which is not seen to the same extent in any other city in the UK. Manchester is on the move and the bomb has not in any way dampened the vision and the will to succeed."

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FINANCIAL TIMES

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Monday July 8 1996

Squalls over the Atlantic

The European Commission's competition investigation into transatlantic airline alliances is a clear acknowledgement of the scale of change under way in the industry. However, it risks confusing aviation policy further, when fair and effective international competition demands greater clarity. That can be achieved only if authorities on both sides of the Atlantic re-think their approach.

Though the probe was ostensibly triggered by the proposed link-up between British Airways and American Airlines, Brussels says it needs to examine all the alliances because of their cumulative impact. That argument may have economic merit. But it is legally dubious. Brussels vetted none of the other deals when they were made. To do so now, because rivals have since linked up, smacks of retrospective justice.

Had EU watchdogs been more alert to industry trends, they would surely have asked the Council of Ministers long ago for a remit to deal with the specific competition issues they posed. Instead, they have fallen back on an obscure and rarely-used treaty provision. Given member states' sensitivity to commission attempts to expand its power, there is a risk that EU institutional turf battles could overshadow substantive policy issues.

Brussels may also hope to increase its bargaining power in planned aviation talks with the US. Washington has made anti-trust exemption for transatlantic alliances conditional on European countries improving access for US carriers. But for the EU also to adopt such strong-arm methods would make bad policy worse. Aviation requires firm and impartial competition rules. Suborning them to national trade goals devalues their effectiveness.

The US would doubtless respond that such tactics have paid off. Its carriers stand to gain greater operating freedom in the EU, without conceding equivalent rights in their home market. But if the US genuinely wants liberalisation of world markets, this is no way to achieve it. Its "open skies" deals amount to using government muscle to win favours for US carriers. Such mercantilism does not advance real free trade but perpetuates the state intervention, nationalistic attitudes and bilateral arrangements which have prevented aviation developing into a truly global industry.

Such an approach also risks turning relations with Brussels into a confrontational trial of strength. That would be counter-productive and inappropriate when the two sides are working together to lower transatlantic trade barriers in other sectors. The sensible course is to extend their co-operation to aviation.

The EU should propose opening its single aviation market fully to US carriers once it comes into being next year, in return for comparable access to US domestic routes. That would ensure fairer and more open competition than the patchwork of bilateral deals sewn up by the US in Europe. The two sides should abolish their anachronistic restrictions on foreign ownership of airlines, which have merely thwarted industry rationalisation. They should also aim to align their competition policies to keep markets open, rather than to promote their airlines' interests. Finally, they should seek the negotiation of multilateral aviation rules in the World Trade Organisation.

Those steps would require radically changed attitudes among governments, long used to treating even privatised flag carriers as extensions of the state. But they need to recognise that such practices are to blame for the problems afflicting the industry today. The starting point for any solution must be to get governments and bureaucrats out of the airline business, not further in.

Rates looking up

Sooner or later, US interest rates are heading upwards. Last week the Federal Reserve decided not to make it sooner, leaving interest rates unchanged at its monthly policy meeting. Speculation about a rise continued, however, unsettling markets on Friday, with the Dow Jones Industrial Average falling 114.88 points. Nonetheless, recent economic data have been difficult to decipher, and price pressures, by and large, remain subdued. But the decision next month may not be so finely balanced.

By common agreement, the US economy has bounced back sharply from last year's growth pause. Last week's employment data for June showed another 239,000 increase in the number of jobs. All told non-farm payrolls grew by 265,000 per month on average during the second quarter. Many expect growth to slow later in the year. But consumers seem more upbeat about the future than a few months back: perhaps unsurprisingly, given the growth in employment and modest upturn in earnings.

There is one clear and present danger on the horizon, but it is on Wall Street rather than Main Street. The Dow Jones industrial average has grown by nearly 50 per cent since the end of 1994. Wider participation in the stock market could mean that a disorderly reversal of some of the rise might have a larger impact on consumer confidence than usual.

In the short term, some would argue that increasing interest rates would increase the risk of a crash. But here the Federal Reserve is damned if it does tighten, and damned if it does not. As Mr David Hale, at Zurich Kemper Investments, has recently argued, leaving interest rates unchanged until the autumn could trigger large, more destabilising swings in bond and equity prices in the meantime. Better to start slowing the market's supply of liquidity now than to wait, and risk having to turn off the taps altogether in the autumn.

Even President Bill Clinton might see the logic of such a pre-emptive move. By itself, a modest increase in short-term rates is not going to stop the economy in its tracks. Most of the effects, at any rate, will be felt only well after the November election. But the White House must surely prefer a summer tightening to larger increases in short and long-term interest rates – let alone a sharp fall in equity prices – in the closing months of the campaign.

Birt's choice

After announcing a radical shake-up of its management structure last month, the BBC raised a whirlwind of protest, mainly against its plans to integrate the World Service more closely into the corporation.

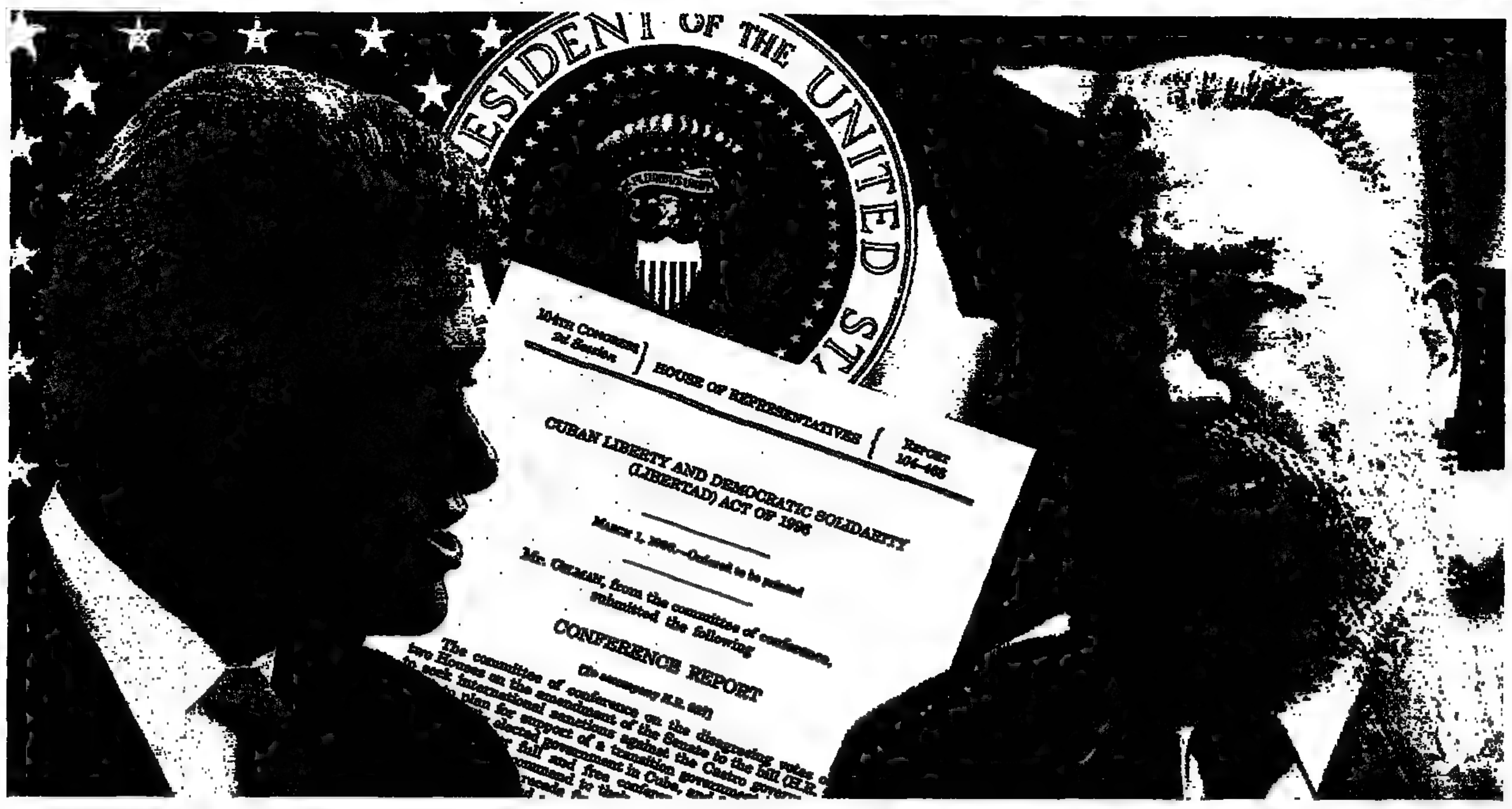
Lady (P. D.) James, novelist and former BBC governor, joined three former heads of the service in a recent lobby of Parliament to safeguard the service. What they want to save, essentially, is its individuality, quirkiness and authority – qualities the service established as a small cohesive unit. As a result it has become a valued and widely loved ambassador for Britain.

Mr John Birt, the BBC's director general, does not wish to destroy the service. Rather he is seeking efficiency gains by integrating the production of World Service programmes into the rest of the BBC. He should think again. The World Service has, by common consent, achieved excellence as a voice of Britain. If three such distinguished broadcasters believe this may be jeopardised, they should be given a more careful hearing than it appears the BBC has accorded them so far.

The row over the World Service is, however, only an indication of a deeper question facing the BBC which needs wider public debate. When the BBC was founded 75 years ago, as a guardian of British culture, everyone assumed that broadcasters could use only a very small number of channels. But in a few years, cable, satellite and digital techniques will create hundreds, perhaps even thousands, of channels. To maintain its leading position, the BBC wants to invest in the new technology, to exploit computer networks internally and to develop new broadcast channels such as a 24-hour news service.

To find extra money for this, Mr Birt has put pressure on programming costs. The new management structure is part of this process. But in presenting the changes, the BBC has paid too little attention to the question of what its role should be when new channels explode on to the market.

Should it compete with all the razzmatazz of the new multi-channel multi-media world? Or should it consolidate round the values of public service broadcasting, which its founder, Lord Reith, established and which the World Service has helped to preserve? The BBC must lead a public debate on this issue and it must not be allowed to pre-empt the conclusion under the disguise of an efficiency audit.



The long arm of American law

US legislation aimed at punishing Fidel Castro has angered Washington's trading partners and left Mr Clinton with a dilemma, says **Stephen Fidler**

President Bill Clinton must in the coming week make a decision that will reverberate around the world. He has to decide whether to suspend part of a controversial law aimed at punishing the Cuban government of President Fidel Castro and at making life difficult for foreign companies doing business in Cuba.

The law, the Cuban Liberty and Democratic Solidarity (Libertad) Act – better known by the names of its Republican sponsors Senator Jesse Helms and Representative Dan Burton – has provoked the wrath of US trading partners.

It has heightened the contrast between US policy towards Cuba, built around a 35-year-old embargo, and that of most other governments, which favour engagement with Mr Castro's one-party state as the best way to encourage change.

Yet the real dispute is only partly about Cuba. Most governments believe Helms-Burton applies US law unjustifiably to the actions of friendly sovereign states. They argue it breaches US commitments to international trade agreements. And they say it sets an alarming precedent for similar actions, such as legislation now being debated in Congress to punish non-US companies operating in Iran and Libya.

Mr Clinton signed Helms-Burton in response to the shooting down by the Cuban air force on February 22 of two small US aircraft flown by members of Cuban exile groups.

But he retains the right to suspend for six-month periods the most controversial part of the law: that giving US citizens – including Cubans who became naturalised Americans – the right to sue "traffickers" in property confiscated by Cuba. If not waived, this so-called Title III promises a flood of lawsuits against foreign companies and the Cuban government in US courts.

Mr Clinton is coming under pressure from foreign multinationals and governments to waive Title III, which will come into effect, unless suspended by July 15. Their ire is compounded by other elements of the law, one of which bans executives of companies operating in Cuba from visiting the US.

Pressure on the president is building from US companies worried that it may backfire on them. Governments around the world are preparing antidotes to Helms-Burton to protect their own companies. These would among other things, allow countersuits against US nationals suing them under the act.

Yet the concern of corporate America goes beyond the fear of retaliation. "US multinationals recognise they are among the main beneficiaries of international law. Comprehensive violations by the US, such as are envisaged by this legislation, undermine the moral authority of the US to oppose violations of international law by other countries," says Mr Robert Muse, a Washington lawyer. He acts for Amstar Corporation, a Connecticut sugar company with an $81m (£54m) registered claim against Havana.

The implications for the US legal system could be even more damaging. Mr Muse estimates that the act could spawn between 300,000 and 400,000 federal law suits, though the law's backers say the figure will be much smaller. Many of these claims will have nothing to do with the several hundred foreign companies dealing with Cuba. A majority, lawyers say, will name the Cuban government, which Helms-Burton establishes as a legitimate target for lawsuits in contravention of the doctrine of sovereign immunity.

The US State Department has estimated that claims could reach $100bn. Potential claimants are entitled to sue for triple the damage suffered from the confiscation of assets, a process started soon after Mr Castro took power in 1959.

Claimants are not limited to legal owners of property but include others such as leaseholders and farm tenants who were caused injury by expropriation. This suggests many properties may be the subject of multiple claims in the US courts. The definition of trafficking is also wide enough to threaten not only foreign companies in 200 or so joint ventures with the government, but also banks and others adjudged to be helping business in Cuba.

Mr Willard Berry, president of the European American Chamber of Commerce in Washington, said in a letter to Mr Clinton that claimants "have every incentive to name as many 'traffickers' as possible, thus sparking a witchhunt that would unfairly impose legal costs on many firms that have no commercial ties to former US properties".

Clearly, the Castro government could never pay a $100bn bill, even if it wished to. Yet, once established in the US courts, the claims will not disappear, even when Mr Castro has gone. Instead, they threaten to overhang any attempt to normalise relations between Washington and a post-Castro government in Havana.

Opponents of the act claim that it could bring the US legal system to deadlock, that it radically redefines the sovereign immunity of nations, that it establishes special treatment of Cuban Americans over other naturalised Americans and their descendants, and that it breaches many principles of international law. Yet it was not the subject of a single hearing by the judiciary committees of the Senate or the House of Representatives.

This is explained by the way in which the bill was rushed through Congress in response to the aircraft incident. The expedition, which a UN report indicates had not reached Cuban airspace, was organised by a group of Miami-based Cuban Americans, Brothers to the Rescue. Members had previously flown light aircraft to Cuba, once scattering propaganda leaflets over Havana.

The Cuban move appeared aimed at provoking Washington into dealing with the overflights, illegal under US law because false flight plans were filed. In a narrow sense, it succeeded. The Federal Aviation Administration revoked the pilot's licence of the group's leader, Mr José Basulto, and instructions to Miami air traffic control were changed to ensure it no longer turned a blind eye to the flights.

But the action revitalised a bill that had been dying in Congress. Helms-Burton had been opposed by the White House, the State Department and even by many of the original US claimants on Cuba who were worried about their claims being diluted by Cuban Americans.

It had been dubbed the Bacardi bill since much of it was crafted by lawyers for the distillery company. One clause written by the lawyers specifically allows for the private out-of-court settlement of claims without permission from the US government. This could have the bizarre effect of allowing private accords for the lifting of the embargo in specific cases, and the possibility that some claimants could benefit from current economic activity in Cuba.

Bacardi's main target was Pernod-Ricard, the French spirits maker, whose agreement with the state-owned Havana Rum and Liquors that runs Bacardi's old distilleries in Cuba threatened to intensify competition in a declining international spirits market. However, according to a lawyer familiar with the bill's progress, "the Bacardis lost control of the process".

Mr Jorge Dominguez, Cuban-born professor of government at Harvard University, says the bill became the hybrid product of a coalition of three disparate groups: private claimants seeking compensation or a deal, those seeking revenge on Mr Castro, and members of Congress and the White House who saw the bill as a response to the air attack.

The big issue for Mr Clinton's strategists was to deny the Republicans the ability to accuse the president of weakness in confronting Mr Castro. His vulnerability to attacks from Mr Bob Dole, his Republican rival in this year's election, is why many in Washington doubt Mr Clinton will waive Title III on July 15.

If he does nothing, the title will come into force on August 1. Three months later, a day or two ahead of the election on November 5, lawsuits will begin to hit the courts. Mr Clinton can suspend the provision, giving 15 days' notice, at any time and many suspect he will do that once voting is concluded.

Because of this, many claims are being prepared for filing immediately. Helms-Burton provides a two-year period during which only the 5,911 original registered claimants, all US nationals at the time their property was expropriated, can sue. Mr Muse reckons 800 at most will be able to file because of a $50,000 lower limit on the size of claims.

Many Cuban Americans are expected to file suit at once, pursuing the argument that it is unconstitutional to deny naturalised Americans rights available to other Americans.

All this will hurt Cuba but is unlikely to be fatal. It has already led to two high-profile withdrawals from some Cuban activities by the Dutch financial group ING and the Mexican cement company Cemex.

Overall, it will increase the cost to Cuba of international economic transactions, but that could be good for companies not at risk from court claims. "This means it's a great boost to the profitability of non-US firms that do business in Cuba," said Mr Dominguez. "They are protected from the competition of US companies and the Cuban government has to be even nicer to them."

He and others argue that keeping Title III in reserve would also retain some US influence over Cuban policy. "If Clinton doesn't exercise the waiver that influence goes."

With an election to fight, however, Mr Clinton's priority is unlikely to be Cuba. He will be balancing electoral considerations with the likely international repercussions if he allows claims under Helms-Burton to reach the courts.

• O B S E R V E R •

Spicing up Apple

■ Can a former IBM star work the transformation Apple Computer so desperately needs? Ellen Hancock, newly appointed to the position of executive vice-president of research and development and chief technology officer, will have her work cut out.

Her immediate task will be to stop the exodus. She must also focus Apple's R&D; even before the last six months of turmoil, spending was less directed than it should be for a company with uncomfortably shallow pockets.

Apple people have been hoping for a strong technology leader and Hancock fits the bill, having run about $10bn of IBM's business and established the company's software strategy. She left IBM when she lost a power struggle, landing at National Semiconductor, where Gil Amelio created a position for her. When Amelio quit National for Apple, she was out on a limb until he found her something else.

However, suggestions that her IBM past will clash with the Apple "visionary" culture are probably pessimistic, even though some associate her with IBM's problems in developing software. The high-tech industry has long regarded a "once-removed" IBM executive as a valuable catch; that is, IBM executives have valuable experience, but also need to have learned about the world outside. Moreover, in Silicon Valley Hancock is not regarded as a traditional IBM-type.

The only part of the job that may fall outside her existing experience is exercising leadership in a post which is highly visible internally and externally. Ultimately, however, Apple's attempts to solve its severe problems lie in Amelio's hands. Hancock's biggest worry should be the question of whether his strategy is right. That, as yet, is far from clear.

Nelson's duty

■ On the strength of his state visit to Britain, no-one can say that South Africa's President Nelson Mandela doesn't earn his keep. For after he arrives in London late tonight and gets a few hours' rest, Mandela will scarcely have a chance to put his feet up until leaving on Saturday.

Tomorrow is relatively relaxing. The day starts only at 1pm, with lunch at Buckingham Palace, winding up there at 8pm with a state banquet. But Wednesday kicks off with tree-planting in St James's Park at 7.30am, followed by various speeches, handshakings and whatnots until another evening banquet at Mansion House.

Thursday starts with a Bank of England meeting at 8.30am; then all the familiar great-and-good events through the day. Someone has decided that Mandela will have eaten enough by this time – the evening features a 7.30pm Albert Hall concert with no obvious sign of supper. There'll probably be some sandwiches by his bed when he gets back to Buckingham Palace, at sometime after 10pm.

Friday is less frenzied – merely the whole morning with official engagements – but his departure on Saturday is scheduled for 6.50am.

They may call it diplomacy, but it seems a robust way to treat someone approaching 80 and not enjoying the best of health.

Forked tongues

■ Careless talk costs lives. That old British wartime slogan might have been applied to German companies in recent years, where anguished shareholders have watched share prices lurch about as a result of unguarded comments and loose tongues.

Unfortunately, Deutsche Telekom still seems unable to manage its information flow. The company hopes to list on the New York Stock Exchange later this year, and has the Securities and Exchange Commission breathing down its neck. Yet last week Joachim Kröske, the finance director, casually slipped out the fact that the company hoped to start trading its shares by November 18 at the latest. No big deal, you might think.

Except that earlier haphazard remarks by Kröske (in April) sparked furious rumours that Deutsche Telekom was going to buy Cable and Wireless, the London-based telecoms group which was contemplating a reverse takeover of British Telecommunications at the time.

But at the other end of the corporate hierarchy, worry about the SEC guidelines means that the press department frequently finds itself hard pressed to say anything at all about the company's prospects.

Grease is a musical

■ What pops into your mind when you think of Texas? Oil. Not if you're a Texan teenager. A new survey says that just 38 per cent of Texas teenagers know petrol is refined from crude oil.

This is very weird. After all, Texas is home to 25 per cent of US oil production and the Texan oil industry contributed $52bn to the state's economy last year. Then there's all those nodding donkeys. You'd think that even a teenager might put two and two together. Filled with gloom by such news, Texan state oil regulators have asked Governor George W. Bush to declare September "Texas Energy Month" and to start flooding schoolrooms with brochures telling the kids how important oil is. Putting the petrol price up might also do the trick.

The Financial Times

100 years ago

Taxation Reform in France
The Chamber of Deputies yesterday resumed the debate on the Direct Taxation Reform Bill. M. Méline, the Premier, said in defence of the Bill that an excessive burden of taxation was now borne by agriculture. It was time to restore an equality between real and personal property, to divert the flow of capital towards agriculture, and to check the emigration of the rural population towards large cities. (Cheers on the Centre, disturbances on the Extreme Left.) M. Méline defended himself from the imputation of wishing to cause ill-feeling between the industrial population of the towns and the agricultural labourers. He had always advocated concord and union among all sections of the community, differing in this from the Socialists, who preached hatred and distrust.

50 years ago

A Cigar War
Jamaican tobacco-growers are understandably becoming concerned about maintaining the British market for their cigars. And though a firm believer in Imperial enterprise, I must take leave to disagree when they go so far in their patriotism as to claim that their products are equal to Cuba's best. Observer.

FINANCIAL TIMES

Monday July 8 1996

Insurance market likely to see big budget cuts

Lloyd's aims for reform once Names back plan

By Ralph Atkins in London

Lloyd's of London plans to launch a sweeping internal review by September. It will include substantial budget cuts and an overhaul of the insurance market's management, regulation and system of raising capital annually.

The review is to follow implementation of the market's recovery plan, due in late August. It would seek to address the financial pressures Lloyd's expects from fighting legal action by loss-making Names and from increased competition.

Support has been growing in the UK for the recovery plan, which includes the offer of a £3.1bn ($4.8bn) out-of-court settlement of claims by Names, but Lloyd's has yet to secure a deal to end litigation in the US. A Mori poll due out today shows that 82 per cent of UK Names – individuals whose assets have traditionally supported Lloyd's – are likely to support the plan, up from 79 per cent in May.

Many Names are expected to quit once the recovery plan is implemented, and a new "reinsurance" company, Equitas, would take over their outstanding liabilities.

A debate is then likely about the role of Names and whether they should continue underwriting for only one year at a time.

Mr David Rowland, the Lloyd's chairman, said he had "serious worries" about Lloyd's traditional approach to raising capital annually. "An annual venture may be a rather uncomfortable instrument for writing long-term insurance business. I don't see any reason why one can't explore the idea of a longer commitment than 12 months."

However, the review will not prevent Names trading with unlimited liability, at least for the short term.

Mr Rowland and Mr Ron Sandler, chief executive, are seeking significant expense cuts by next year. Work is already under way on proposals to "spin off" central services provided by the Lloyd's Corporation, the market's central organisation.

"We have to look ruthlessly at what we're doing, as quickly as we can, in order to get the market into as competitive a position as we possibly can," Mr Rowland said.

There could be salary increases for senior figures, however, including Mr Sandler, whose £250,000 salary is low by industry standards.

Lloyd's also looks likely to lobby for easing the constraints of operating under acts of parliament which specify how a chairman is selected and require a complex system of bylaws. Lloyd's might seek to move to a non-statutory system of encouraging "best practice".

Ministers have promised a review of possible legislative changes next year.

In addition, many at Lloyd's want to transfer responsibility for regulating the insurance market to an outside body, such as the Securities and Investments Board.

Yeltsin honeymoon ends as media revert to critical role

By John Thornhill in Moscow

The political honeymoon that followed President Boris Yeltsin's resounding re-election was brought to an abrupt end at the weekend as Russia's media reverted to a more critical stance and fresh disturbances erupted in the breakaway Chechnya region.

After slavishly supporting Mr Yeltsin in the run-up to last week's presidential elections, Russia's newspaper editors have warned the Kremlin they will hold the president to account for his pre-electoral promises.

To prove the point, several editors splashed their Saturday newspapers with lurid accounts of a parliamentary investigation into corruption in the defence ministry under the president's former ally, General Pavel Grachev.

Russian news wires, which have been silent about the situation in Chechnya over the past month, also carried extensive reports yesterday about the continued fighting there in which two federal troops were killed.

The media now seem determined to hound Mr Yeltsin into honouring his promises to bring peace to Chechnya and root out abuses of power within his presidential entourage.

Mr Yeltsin has tried to address these concerns by appointing Mr Alexander Lebed, the former general and rival presidential candidate, as the secretary of a more powerful security council.

International observers, who scrutinised last week's presidential elections, praised the fair manner in which the polls were conducted but criticised Russia's media for pandering to Mr Yeltsin and tarnishing rival candidates.

Mr Dmitry Ostalsky, the editor of the liberal Sevodnya newspaper, defended the "democratic press's" decision to back Mr Yeltsin as a matter of expediency.

In a front-page leader article on Friday, he argued that a Communist victory would have spelt the death of an independent press. But he warned the Kremlin that his newspaper would now adopt a more critical approach.

"We will not go over to the other side of the barricade," he wrote. "One should not quickly count the 'fourth estate' as enemies. But from today it will move to where it belongs – in opposition to power."

Moskovsky Komsomolets, the tabloid-style newspaper which previously revelled in exposing official corruption in the Kremlin but then pursued a strongly pro-Yeltsin line before the elections, also put the president on notice that it would revert to a confrontational position.

Some liberal politicians have also threatened to move into opposition.

Last week, Mr Yegor Gaidar, the leader of the liberal Russia Choice movement, said his continuing support for the president would be wholly dependent on what policies he pursued.

Mr Mikhail Gorbachev, the last Soviet leader, who won less than 1 per cent of the votes in the first round of the presidential elections, yesterday urged the government to correct its reform programme or risk prolonging the country's political crisis.

Chechnya tensions rise, Page 2

Independence Day blitzes box office records

Continued from Page 1

success of *Independence Day* is likely to fuel studios' ambitions to turn up the formula which transforms celluloid to gold.

In the case of *Independence Day* – the film – this is a fiery dismissal of fairy tales such as *ET* and *Close Encounters of the Third Kind*, which conjured the preposterous notion that alien visitors might be all heart beneath their mucoid exteriors.

The film's big marketing push began with trailers in December. By February, a $1m one-off TV commercial was telling football fans "Enjoy the Super Bowl . . . it may be your last."

More recently Los Angeles freeway traffic stalled as three helicopters patrolled the beaches trailing banners. "No Warning", said the first, closely followed by "No Negotiation", and "No LA".

To judge by the cinema queues still forming late on Saturday night, the prospect appeared to have touched a chord.

Mandela may back plan to send troops to Burundi

By Roger Matthews in Johannesburg and Michela Wrong in Nairobi

President Nelson Mandela may back a plan to send African troops to avert further bloodshed in Burundi when he addresses the Organisation of African Unity summit in Cameroon today before flying to London for a state visit.

Mr Mandela, anxious to stress South Africa's political stability and its attractiveness for foreign investors during his four-day stay in Britain, will attend the opening session of the summit which is seen as critical to efforts to end the conflict in Burundi. The continent's leaders are due to discuss a proposal, put forward at a meeting of east African leaders last month, to deploy an African military force in the central African state.

South Africa is not expected to contribute to the force, which would be made up of troops from Uganda, Ethiopia and Tanzania, but African leaders are hoping that Mr Mandela's endorsement will help ensure that the scheme, intended to halt ethnic killings in Burundi, gets off the ground.

African diplomats are looking to Mr Mandela for the leadership, which they say the OAU lacks, on an issue which is seen as an important test of the organisation's role. However the South African president's priorities may lie closer to home.

He is particularly concerned to quash doubts about South Africa's future after his retirement. Mr Mandela has already stated he would not continue in office after the 1999 general election. In a weekend television interview he virtually endorsed Mr Thabo Mbeki, the deputy president, as his successor.

Mr Mandela said that if the executive committee of the African National Congress chose Mr Mbeki as the next party leader, and therefore national president, he would consider it a wise choice.

Mr Mbeki has considerably strengthened his position within the party this year, after his principal rival, Mr Cyril Ramaphosa, decided to leave parliament and resign as ANC secretary-general.

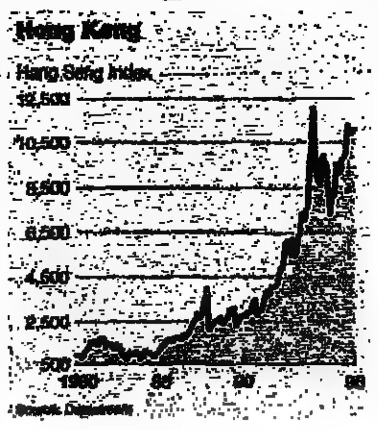
"I do not think it is wise for a robust country like South Africa to be led by a septuagenarian," Mr Mandela said of himself last week. "Rather than an asset, I am more of a decoration."

During his UK visit Mr Mandela, and the ministers accompanying him, aim to persuade British industrialists that they should invest more in South Africa. The Pretoria government has been disappointed by the flow of long-term fixed investment from Britain.

Burundi dilemma, Page 4

THE LEX COLUMN

Hong Kong's handover



With less than a year to go before the changing of the national guard in Hong Kong, there has already been a dramatic realignment in the colony's business sector. Cathay Pacific has been the most recent company to wave the red flag, offering more shares to China-controlled Citic Pacific. But there are great expectations of more to come.

Hongkong Telecom is an obvious target, as a British controlled monopoly with a technological edge that would be highly prized in Beijing. An investment by a Chinese organisation in exchange for greater access to the Chinese market seems an obvious and mutually beneficial solution. Beyond that, since Britain's corporate influence has been waning for decades, there is little for China to covet. HSBC Holdings might face pressure to float its Asian bank business in Hong Kong and encourage outside investors – probably boosting HSBC's share price – but since the Bank of China already controls a substantial bank network, it has no compelling reason to pay large sums for another. China Light & Power, the electricity monopoly, could attract Chinese interest, but it is an expensive morsel in an industry where China has its own expertise.

In general, Hong Kong Chinese businessmen have swiftly switched from making donations to Britain's Tory party to acquiring the goodwill of their future masters. China's investment in Hong Kong will certainly accelerate and there will be plenty of deals, but the shape of big business looks unlikely to undergo dramatic change.

Airline pilots

How is it possible that one of the UK's biggest companies can to be held to ransom by 6 per cent of its staff? In the dispute between British Airways and its pilots the answer might seem obvious – after all, the pilots can ground BA's planes at the drop of a joystick. But flying an aircraft is not as difficult as it was 20 years ago. Advances in technology are deskilling the job. Captains who spend their days shuttling between London and Edinburgh on autopilot are turning into glamorised bus drivers. And, in theory at least, the supply of pilots dramatically exceeds demand. When BA advertised for 88 cadet positions earlier this year it received 45,000 enquiries.

In the face of these trends, pilots have preserved remarkable bargaining power and excellent working conditions: the average BA captain is paid £74,000 a year, flies just 12 hours a week and retires at 55. Of course there are some good reasons for this. Safety is paramount and well-trained pilots still make a difference. In Africa one plane crashes for every 86,000 take-offs or landings – when pilots are in manual control – against one in every 1.16m in Europe. Quality of pilots may not be the only explanation, but it is still a brave airline that would risk employing sub-standard pilots.

Pilots also tend to be well-organised, vocal and highly unionised. In addition, haphazard hiring has left many airlines with a self-inflicted supply problem. SAS has had to cut routes over the past three months because of a pilot shortage, while BA has only just introduced an annual recruitment scheme. That may eventually help to shift the balance of power in the airlines' favour. But until then, pilots will remain high fliers.

Guinness/Grand Met

Every business dreams of taking over its main competitor. But it should have been obvious, even before yesterday's denial, that Guinness was extremely unlikely to launch a hostile bid for Grand Metropolitan. If Guinness had such a megabid in the pipeline, it would hardly have spent £460m in March buying back its own shares. Moreover, however attractive the strategic fit with its spirits business, a hostile bid for the whole of Grand Met simply would not stack up financially.

Take Lazard Brothers' reported assessment of the deal's benefits: cost savings of £150m a year. Knock off tax and apply Guinness' price/earnings multiple, and you end up with £1.4bn in additional value. But subtract from that the estimated £1.2bn capital gains tax bill Guinness would face under the plan, and the net gain is little more than zero. Even building in more bullish cost-cutting assumptions, and adding a premium to reflect the combined businesses' bigger pricing clout, it would still be difficult to justify anything like the £13.2bn price tag – £4.2bn over Grand Met's current market capitalisation – being bandied around yesterday.

Nonetheless, there are two good ideas at the heart of Lazards' proposals. The first is a demerger of Guinness's brewing side. The synergy with spirits is minimal – even the company is reduced to arguing that many beer drinkers also drink spirits. And separating the two businesses would probably unlock bid premiums in both.

Second is the logic of putting together Guinness's spirits side with one of its competitors, and rationalising the two distribution networks. Theoretically, this could take a number of forms. Guinness could do a friendly deal with Grand Met. It could bid for Allied Domecq. Or it could try to persuade the Heriard Dubreuil family which owns Rémy Cointreau to sell up.

Of course, all these look long shots. And Guinness appears adamantly opposed to a demerger. On the other hand, the leaking of Lazards' bold thinking has certainly sharpened the pressure on management to put some sparkle into Guinness's sluggish share price performance. Who knows? That may even have been the intention of the leaker.

UK banks

The recent spurt in the share prices of British banks suggests the sector may be returning to favour. And even after their recent rally, the stocks do not look expensive. Earnings growth this year is likely to be stronger than originally expected – perhaps as high as 18 per cent – while the market as a whole is failing to deliver the 10 per cent growth that was widely predicted. Furthermore, with bad debt provisions at historically low levels and limited margin pressure, the banks are generating plenty of cash to facilitate share buy-backs or chunky dividend payments.

None of this yet seems to be fully priced in: the sector is still yielding 15 per cent more than the market average. Relative to earnings, the 35 per cent discount to the market is fairly typical – but arguably does not take account of improved cost control.

Of course, in the longer term, it is still true that the sector's growth prospects are not particularly exciting. But in the run-up to an election battle, from which the utility-taxing Labour party still looks the probable victor, banks may be a better bet than, say, electricity stocks for risk-averse, yield-hungry investors.

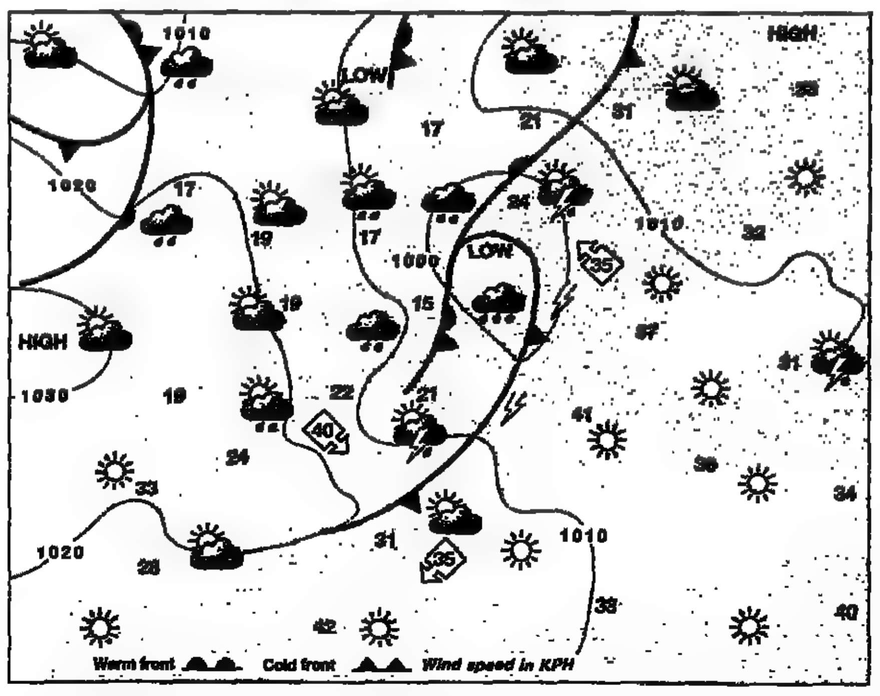
FT WEATHER GUIDE

Europe today

A depression will bring rain clouds and gusty winds to most parts of the Alps and some snow is possible above 2500 metres. The depression will move towards Germany and is likely to cause widespread rain and gusty winds over central and eastern Germany. Ahead of the depression, winds from the south will draw warm air into eastern Europe. On the boundary with cooler air, heavy thunder showers will develop from Croatia to Poland. In the Balkans, Greece and Turkey, it will be sunny and very warm. Over the Benelux, it will be cool and cloudy. In France and the UK, it will be fair but unseasonably cool. Later on, cloud will increase over Ireland, bringing some rain.

Five-day forecast

Stormy winds and more rain will cross the Baltic Sea area tomorrow as a depression moves to the north. In Greece and Turkey, it will continue to be very warm. In other Balkan countries, thunderstorms will precede north-westerly winds which will bring cooler air on Tuesday and Wednesday. Over western Europe, it will be changeable with scattered showers. Temperatures will rise to seasonal levels.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	thund	30	Caracas	cloudy	31	Faro	sun	30	Madrid	fair	27	Rangoon	fair	30
	Celsius		Belfast	cloudy	17	Cardiff	fair	19	Frankfurt	shower	18	Majorca	fair	25	Reykjavik	rain	12
Abu Dhabi	sun	43	Belgrade	fair	37	Casablanca	fair	24	Geneva	shower	16	Malta	fair	34	Rio	cloudy	20
Accra	cloudy	26	Berlin	rain	15	Chicago	thund	29	Gibraltar	sun	28	Manchester	fair	17	Rome	fair	25
Algiers	fair	23	Bermuda	shower	27	Cologne	cloudy	17	Glasgow	fair	19	Manila	shower	33	S. Frsco	sun	21
Amsterdam	shower	16	Bogota	thund	19	Dakar	fair	30	Hamburg	shower	17	Melbourne	fair	13	Seoul	fair	28
Athens	sun	35	Bombay	shower	32	Dallas	fair	40	Helsinki	fair	18	Mexico City	cloudy	22	Singapore	fair	29
Atlanta	fair	35	Brussels	shower	17	Delhi	fair	36	Hong Kong	fair	32	Miami	sun	33	Stockholm	shower	20
B. Aires	shower	11	Budapest	thund	29	Dubai	sun	43	Honolulu	fair	31	Milan	shower	21	Strasbourg	shower	18
B.ham	fair	15	C'hagen	cloudy	18	Dublin	cloudy	18	Istanbul	sun	33	Montreal	shower	26	Sydney	shower	15
Bangkok	shower	36	Cairo	sun	36	Dubrovnik	thund	33	Jakarta	fair	32	Moscow	thund	26	Tangier	sun	28
Barcelona	fair	22	Cape Town	sun	18	Edinburgh	fair	19	Jersey	fair	18	Munich	rain	12	Tel Aviv	sun	32
									Karachi	fair	35	Nairobi	fair	26	Tokyo	rain	26
									Kuwait	sun	47	Naples	fair	26	Toronto	fair	27
									L. Angeles	fair	24	Nassau	cloudy	32	Vancouver	fair	27
									Las Palmas	fair	26	New York	fair	33	Venice	rain	22
									Lima	cloudy	17	Nice	fair	26	Vienna	rain	23
									Lisbon	sun	27	Nicosia	sun	38	Warsaw	thund	25
									London	cloudy	19	Oslo	rain	17	Washington	fair	35
									Lux.bourg	cloudy	16	Paris	fair	19	Wellington	fair	10
									Lyon	drzzl	18	Perth	fair	18	Winnipeg	shower	19
									Madeira	fair	24	Prague	rain	15	Zurich	rain	13

هكذا من الأصل

FINANCIAL TIMES

COMPANIES & MARKETS

Monday July 8 1996

Mazda to maintain range of models

By Heig Simonian in London

Mazda, the Japanese carmaker controlled by Ford of the US, should be able to maintain a multimodel range into the next century in spite of slashing development costs and cutting its workforce.

Mr Henry Wallace, the Mazda president installed by Ford last month, said the Japanese company should build at least seven types of car, including an upmarket executive model and an "image car" such as a convertible.

However Mr Wallace said Mazda's future products would be integrated more closely with Ford's. Although some cars might be developed independently, others would be based on Ford's strategy of devising common basic structures (or platforms) for individual models which would be built in factories around the world. It was also possible that Mazda would develop some platforms for the rest of the Ford group, he said.

The impact of Ford's control would not be seen in the next generation of Mazda's cars, whose development was too advanced to be influenced by closer integration with Ford. The next, Ford-influenced range would probably include three cars of similar size to Ford's European Fiesta, Escort and Mondeo, as well as a larger executive vehicle and a multipurpose vehicle.

Mr Wallace said Mazda had a strong image for quality, engineering and innovation but this had been swamped by frequent overlaps between models in its range, which had confused customers and dealers.

The aim would be to base future models on fewer than the 20 or more platforms currently used. Such proliferation meant Mazda had built an excessive range of cars in insufficient volumes to allow adequate margins.

Mr Wallace said Mazda's immediate priority was to simplify its range and improve its marketing to raise annual output in Japan to about 1m units by 1999, against 800,000 at present. That would take its market share to 6.5 per cent from 5 per cent in Japan, and to about 1.9 per cent from 1.4 per cent in Europe.

Glaxo suffers US court defeat on Zantac

By Christopher Price in London

Glaxo Wellcome, the world's largest pharmaceuticals company by sales, has lost the latest round of a long-running legal battle in the US to prevent competition for Zantac, the group's top-selling anti-ulcer drug.

The ruling was made in favour of Novopharm, the Canadian drugs company, by a North Carolina court on Friday. It allows Novopharm to start retailing a generic version of Zantac when Glaxo Wellcome's patent on this version of the drug expires in July 1997. The UK group had argued that the development of generic versions of Zantac would not be possible without infringing a patent taken out on a second version of Zantac, which expires in 2002. The drug had sales of £2.2bn ($3.4bn) last year, £1.3bn of which were in the US.

Mr Leslie Dan, chairman and chief executive of Novopharm, said he believed that 75 per cent of the US market would be made up of generic products within the next two years.

He intended to challenge the July 1997 patent expiry date, which had been extended by a General Agreement on Tariffs and Trade ruling, and hoped to have the new product available for sale early next year.

However, the UK group said last night: "While disappointed by the judge's decision, Glaxo Wellcome believes it has a valid case against Novopharm and has strong grounds for appeal to the US Court of Appeals."

Mr Dan said he believed the judge's ruling was so strongly in Novopharm's favour that he doubted any appeal would succeed. "If they do appeal, we'll slap a $1bn lawsuit on them for deliberate delaying tactics," he said.

Novopharm submitted plans to the US authorities to produce a generic Zantac product in March 1994. However Glaxo Wellcome filed a lawsuit shortly after the application, alleging patent infringement and the theft of trade secrets. Both charges were rejected by the US court.

Three other pharmaceutical groups – Geneva, the generic drugs arm of Switzerland's Ciba; Boehringer Ingelheim of Germany; and TorPharm – have announced plans for their own versions of Zantac in the US and all are the subject of patent infringement suits from Glaxo Wellcome. The next case is not due to be heard until December.

The ruling is unlikely to surprise Glaxo Wellcome. In March, Sir Richard Sykes, chief executive, warned that competition from generic, non-branded rivals was likely to start from July 1997. His comments were made with the company's annual results which showed sales of Zantac in Germany had fallen 50 per cent since 1995 following the expiry of the patent there.

Sir Richard repeated the warning last month at the company's annual meeting when he reported a 10 per cent fall in Zantac sales, in spite of an overall 11 per cent rise in group sales for the first four months of the year.

Sir Richard told shareholders: "Zantac sales which may be materially affected by patent expiry could be as low as 10 per cent of the group's total sales."

INSIDE

Creditanstalt

The privatisation of Creditanstalt has again been thrown into doubt after First Austrian Savings Bank met strong opposition to its proposal to set up a loose management holding group. First Austrian's partners in a consortium set up to acquire the government's 70 per cent voting stake in the bank said its privatisation model gave it too much influence.
Page 19

Thyssen

Thyssen, the German steel and engineering group, is looking for buyers for its Thyssen Henschel arms-making unit. Recent cuts in the German defence budget mean the business is no longer profitable.
Page 19

Tomkins

Tomkins, the industrial conglomerate, believes it could extract savings of up to £250m ($390m) through improved financial controls and reduced stock levels at Gates Corporation, the US components group it is acquiring for $1.37bn.
Page 18

Fund Management

For decades the clients of the Swiss banks' fund management arms have been content with a service aimed at guaranteeing their capital and anonymity. But recently two of the three largest banks, Swiss Bank Corporation and Credit Suisse, have announced asset management reorganisations.
Page 18

Global Investor

It is a paradox that one of the largest banking disasters of the 1980s should become one of the hottest investments of the 1990s - but that is what has happened to more than $140bn of commercial bank debt of Latin American and other developing countries. Over the past five years these loans have offered investors some of the world's most spectacular returns.
Page 20

Guinness puts faith in organic growth after rejecting bid for Grand Metropolitan and demerger

Resisting the calls for a flash of pure genius

Mr Bernard Arnault, a large and not entirely happy shareholder in Guinness, knew just how to add public pressure to his campaign for zest in the world's largest sprits company – he held court at the Savoy Hotel in London one evening in March 12 hours after Guinness had delivered a stodgy set of year-end results.

As chairman of LVMH, the owner of Moet Hennessy Champagne, Louis Vuitton luggage, other French luxury goods and 21 per cent of Guinness, he said he was losing patience with Guinness's flat earnings. The two companies had achieved some distribution synergies but their cross-shareholdings were bringing little investor benefit.

His suggestion that Mr Tony Greener, chairman of Guinness, should pull something dramatic out of the hat was duly reported.

Until the weekend revelations that a document from Lazard Brothers, the merchant bank advising Guinness, had discussed the possibility of a demerger or a bid for Grand Metropolitan, the food and drinks group, little seemed to have happened. A £500m buy-back by Guinness of 5 per cent of its equity failed to stir its share price.

But privately, as the Lazard document made apparent, Mr Greener and his Guinness colleagues have been wrestling with their company's strategic problems.

The origins of Guinness's mediocre earnings growth are clear: it derives about £750m of its operating profits from spirits. It is the world's most profitable drinks company with brands such as Johnnie Walker scotch whisky although GrandMet is larger in volume terms.

However, Guinness, in common with the rest of the industry, has failed since the late 1980s consumer bubble burst to increase volumes, prices and profits in mature markets such as the US, northern Europe and Japan.

The bright hope is emerging markets such as China but heavy investment to build those markets means big profits are years away.

The balance of Guinness's profits comes from its brewing arm which could be worth more than £3bn if Guinness ever chose to sell it. The business is growing faster than the spirits side and is a good cash generator, but it fails to give Guinness the upside enjoyed by the three other global spirits companies. GrandMet has Pillsbury and Burger King, fast growing and highly profitable food businesses; Seagram has its US film and television business; and for Allied Domecq shareholders the best hope is that either its management will either get its spirits business running at full tilt or some other management or owner will.

In common with other spirits companies, Guinness is trying to simplify its global spirits business and plough the savings into increased marketing. But GrandMet started first, lifting its marketing spending by 30 per cent this year and earning the rewards of higher volumes and prices. GrandMet's three rivals are scrambling to catch up.

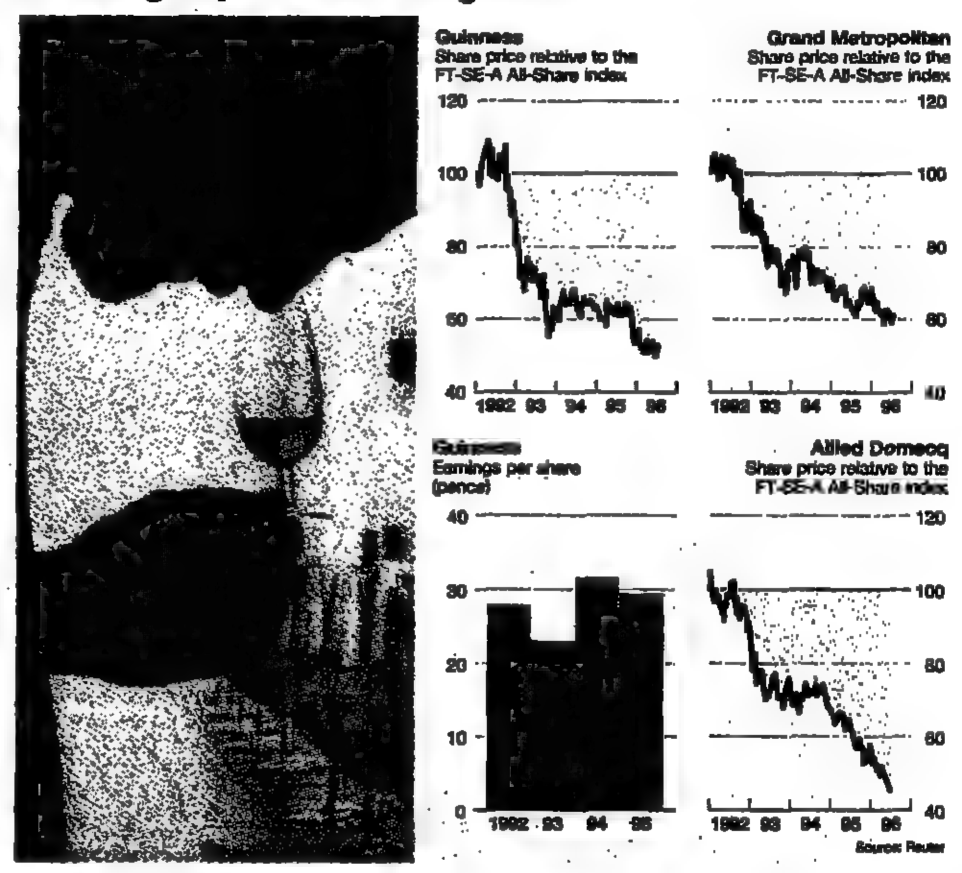
Opportunities to buy other spirit brands or portfolios to improve distribution are limited. "Of course we would like to buy something like Bacardi or Moet Hennessy," a senior Guinness executive said yesterday. "But they are simply unavailable. It is very difficult to grow this business other than organically."

In its brewing business, Guinness is also pursuing an incremental growth strategy. Acquisitions are far down its agenda after it burnt its fingers in the early 1990s by paying some £700m for Cruzcampo, the largest Spanish brewer. Even after heavy restructuring, Cruzcampo will be lucky to generate operating profits this year of £30m.

Organic growth in brewing means more geographic expansion of Guinness's stout. Success with other beers such as Harp lager and Kilkenny Irish ale has proved elusive. Enigma, Guinness's 18-month-old attempt to create a credible lager brand in the UK, is stalling. Guinness recently shifted from advertising to price cuts to attract drinkers.

Given that Guinness is synonymous with stout, "our marketing boys are having to learn a lot about building other brands and products", a Guinness executive said recently.

Drinks groups: the sobering facts



Guinness's bold strategic move in brewing would be to buy Allied Domecq's stake in Carlsberg-Tetley, the UK joint venture between Allied and the Danish brewer.

It would give Guinness credible ale and lager brands for the UK, while abroad Carlsberg and Guinness could jointly push their portfolio of stout, ale and lager.

Guinness rejects the idea, however, because in the UK it fears reprisals from pub-owning brewers if it started selling lager and ale to the pub trade. Abroad it still sees plenty of opportunity to expand its eponymous stout.

Guinness categorically rejects diversification. Having spent the late 1980s and early 1990s shedding health farms, newsagents and other peripheral businesses, it believes its hands are full with beer and spirits. It is equally adamant against demerging brewing. It likes the cashflow and growth opportunities too much.

Organic growth of spirits and beer will eventually reward shareholders. But Mr Arnault of LVMH has a particular problem – French franc appreciation has devalued his Guinness stake, making him very impatient.

For him and Guinness, the solution may lie in rejigging their relationship for a second time in its short life.

But Guinness said yesterday this was not on its agenda. "We are happy where we are with LVMH," a senior executive said.

Lex, Page 16

Roderick Oram

Biotech sector faces test of confidence

By Daniel Green

The buoyant UK biotechnology sector faces its toughest test of the year this week as investors are asked to reconsider the flotation they snubbed last week.

Last Wednesday, Cambrio postponed its flotation for seven days. The float's sponsor, Manchester-based Henry Cooke Corporate Finance, said marketing the shares to institutions was proving "difficult".

This was in spite of a cut in their price. Last month, the company hoped for a £25m ($39m) valuation. Last week, Mr Philip Johnson, director of corporate finance at Henry Cooke, said the target was £20m-£22m.

At stake is more than just the fortunes of Cambrio – a failed flotation could hit confidence in this volatile sector.

Biotech companies generally have no significant sales and make losses for years. Their value lies in the promise of the products they are developing, usually drugs based on a patented scientific idea.

The value of the products rises if and when they pass three phases of clinical trials. This takes three to eight years, with each trial bigger and more statistically reliable than the last. If phase three is a success, the drug is submitted to regulators for approval.

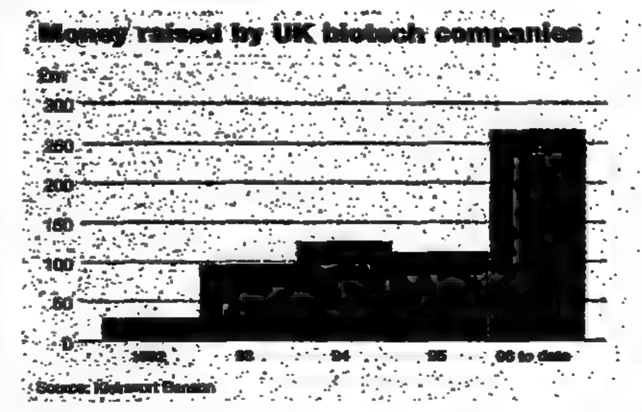
Late in 1995, British Biotech released promising phase two results of a drug treatment for most cancers. Its shares quadrupled in a few weeks, dragging up most of the sector. The market capitalisation of the UK biotech sector is now close to £4bn, compared with £750m at the end of 1994 and about the same as the UK merchant banking sector.

Rising share prices led to a rush to raise money. Almost £270m was raised in the first half of 1996, more than the total for the previous two years, according to Kleinwort Benson, the stockbroker.

Several companies floated, including Phytopharm, which is trying to isolate drugs from plants, and PPL Therapeutics, which genetically engineers sheep to produce potential medicines in their milk.

Others, such as Chiroscience and Cantab, launched rights issues or placings, culminating in June in a £143m British Biotech rights issue, the biggest single fund raising by a biotech group including those in the US, says Kleinwort Benson.

Money raised by UK biotech companies



The rush into biotech has unnerved some investors. But there is no sign of demand for cash drying up. Companies queueing up for investors' cash range from Therapeutic Antibodies to Cambrio. Further down the line are Cambridge Antibody Technology, Oxford Glycosciences, Alizyme, Oxford Asymmetry and others.

Markets braced for follow-up to sharp fall on Wall Street

By Philip Coggan and Peter Marsh in London

World bond and equity markets are braced today for a follow-up to Friday's sharp sell-off on Wall Street, as US bonds and equities fell in response to stronger-than-expected employment data.

The data revived fears that the US Federal Reserve Board would soon decide to raise interest rates. Its open market committee decided to leave rates unchanged last week but will meet again on August 20.

The Dow Jones Industrial Average fell 114 points on Friday and the 30-year Treasury bond dropped more than two points. European bond and equity markets weakened in response, although they closed before the Dow's worst losses.

The weakness comes at a time when UK investment institutions remain net sellers of UK and US equities, according to the latest Merrill Lynch-Gallup survey of fund managers. A balance of 21 per cent of fund managers are selling shares in the UK and 20 per cent in the US. Although both figures are better than those in June, the survey indicates a bearish mood towards trans-atlantic stocks.

The consensus yesterday among international economists was that Friday's Wall Street fall would have a negative, though limited, impact on European and Japanese financial markets this week.

Mr Paul Chertkow, global head of currency research at UBS, the Swiss bank, said much of the large fall in the US stock market index on Friday was a correction of the previous "overvaluation" of US stocks by investors. "In Europe, in contrast, many traders are already pricing in a rise in US interest rates and so I believe the overall effect in Europe will be pretty muted – especially in the UK where, if anything, the stock market has been underperforming."

Mr Jeremy Hawkins, chief European economist at Bank of America, said yesterday the Fed might decide to act this week. "This will feed through to Europe and make it harder for the Bundesbank and other central banks to cut interest rates." Bond and equity markets in Europe would be affected "although we won't see the bottom falling out".

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Somerfield float given impetus by 43% rise

By Christopher Brown-Humes

Somerfield, the UK's fifth largest supermarket group, has given impetus to its flotation plans by announcing a 43 per cent rise in annual operating profits and continued momentum in the current year.

The group, formerly known as Gateway, achieved better-than-expected operating profits of £100.5m ($157m) for the year to April 27 – despite virtually flat sales of £3.16bn ($4.9bn).

Somerfield benefited from a 1 percentage point rise in its gross margin, increased efficiency, and an estimated 3 per cent rise in like-for-like sales at its upgraded Somerfield stores.

But there was a 4 per cent fall in like-for-like sales at the older Gateway stores, which are steadily being converted to Somerfield formats. There was also a disappointing performance at Food Giant, the discount store chain, where comparable sales dropped by as much as 5 per cent.

Somerfield's figures build on its recovery since 1993, when it was close to collapse under the debt problems of its owner, Isosceles.

However, total like-for-like sales growth last year lagged the industry average of more than 5 per cent. And although the operating margin recovered to 3.2 per cent from 2.2 per cent, it is still well below the 7 to 8 per cent level achieved by the sector leaders.

Somerfield will not provide a pre-tax figure until it presents its flotation prospectus, complete with a pricing range, later this week. However, after estimated interest and exceptional charges of £15m, proforma pre-tax profits would come out at about £85m, and after-tax profits at about £57m.

If the group is valued on a p/e of between 9 and 10 – as analysts expect – it could expect to raise between £512m and £570m through the flotation.

However, the group has run into a more difficult new issues market and some analysts remain concerned about its weak brand name, its emphasis on the high street as opposed to out-of-town stores and its lack of sustained record of improving profit.

Mr David Simons, chief executive, dismissed suggestions that the flotation was facing difficulties, but admitted some institutions had expressed concerns about long-term growth prospects in a fiercely competitive market dominated by stronger competitors.

He said the group had had "very positive" feedback from institutions and noted that 80,000 Somerfield shoppers had registered an interest in the sell-off. He suggested pricing had to be realistic.

David Simons: 80,000 Somerfield shoppers interested in sell-off

Mr Simons said the group had made "an excellent start" to the current year, with a higher rate of sales growth than last year. He said: "There is more buoyancy in the market, our brand is getting more established and we have more converted stores."

At the end of the financial year, the group had 343 Somerfield stores, 238 Gateway stores and 28 Food Giants. It has since switched 30 Gateways to the Somerfield format. The group plans to complete its store conversion programme, which has already cost £175m, by the end of next year.

Tomkins sees £250m cuts at Gates

By Tim Burt

Tomkins, the industrial conglomerate, believes it could extract savings of up to £250m ($390m) through improved financial controls and reduced stock levels at Gates Corporation, the US components group it is acquiring for $1.37bn (£870m).

The UK group, which is today expected to report full year pre-tax profits of £320m-£330m (£303m), plans to impose tighter management on Gates's working capital once the deal has been completed at the end of this month.

Mr Ian Duncan, finance director, predicted the savings could be made over three years by applying Tomkins' stock controls at Gates's 41 factories. "Their inventories are unbalanced to market requirements," he said. "At Tomkins, we run at just one third of the inventory they have."

Gates, which manufactures power transmission belts, hoses and connectors, saw its stock levels increase by 19 per cent last year from £170.2m to £203.2m – a period in which pre-tax profits fell from £48.2m to £40.3m. Of those stocks, the value of finished goods held at Gates plants rose from £109.4m to £131.6m.

Some analysts, however, said Tomkins was being too optimistic in its forecasts; one suggested it might save no more than £130m through cost reduction measures.

Nevertheless, Mr Greg Hutchings, chairman, predicted unit costs would fall as Tomkins increased sales of Gates components in emerging markets. He also said there were growth opportunities in Europe, as motor manufacturers switch from chain power transmissions to timing belts.

But Mr Hutchings confirmed there would not be any large-scale redundancies among Gates's 14,000 staff.

Tomkins, meanwhile, has agreed to pay Mr Charles Gates, chairman and chief executive of Gates, $250,000 a year in consultancy fees as a non-executive director of the enlarged group.

It has also pledged to continue an estimated £100m lawsuit against Bando, the Japanese belts manufacturer, over its alleged "misappropriation of trade secrets" and the infringement of Gates patents.

If the legal action is resolved successfully, Tomkins has undertaken to pay up to 80 per cent of the proceeds to the Gates family through the issue of new shares in the UK group.

EBS buys service arm for $150m

By Philip Gawith

The EBS partnership, the electronic foreign exchange broker, has bought Citicorp Dealing Resources from Citibank for more than $150m.

The deal means that EBS, which was developed and is owned by 13 leading foreign exchange banks, becomes a fully integrated company with full control over its support functions.

Previously, CDR provided operations, maintenance and technical services to EBS, but the activities of the two were not always fully harmonised. Now, EBS will be in a position to harness CDR's capacity to its own purposes.

Mr Peter Bartko, chairman of EBS, said: "We expect to quickly realise the benefits of the unified business as we work together on product enhancement, focused marketing and distribution and we intend to maintain and improve our market position."

EBS and Reuters 2000-2, the other electronic broking system, have made large inroads into the foreign exchange market. Together they are believed to have about a 40 per cent market share in the spot broking business.

Nielsen set to lose contract

By Raymond Snoddy

AC Nielsen, the international television ratings and market research group, is in danger of losing a contract in Ireland before it has begun unless it can meet a final deadline.

The company – which is part of Dun & Bradstreet, the information group – was supposed to begin offering a more comprehensive television ratings service to RTE, the Irish national broadcaster, and the Irish advertising industry, on May 1.

But, according to RTE executives, this deadline was not met, and nor was a plan to begin the new ratings service on June 1.

Now Nielsen has been told it has to provide evidence by August 8 that it can offer the new comprehensive ratings research from the beginning of September.

This deadline is seen as final, and if the company cannot meet it the likelihood is that RTE and Irish advertisers could go elsewhere for their ratings research.

Under the terms of the contract – won in a competitive tender – the market research group had to increase the size of the audience panel monitoring viewing habits in Ireland, from 400 to 600.

Accurate audience research is particularly important for RTE, which has to battle against the main British channels available in many parts of Ireland.

Nielsen is in the midst of corporate restructuring. It won the contract from the existing holder, Irish TAM.

Guinness Mahon offshore growth

Guinness Mahon, the London merchant banking arm of the Bank of Yokohama, is to expand its offshore private banking and trust business by buying a 42.6 per cent stake in New World Group Holdings from the US's CoreStates Bank group.

New World has $2bn of funds under administration. Philadelphia International Investment, subsidiary of CoreStates, will retain an equal holding with Guinness Mahon in New World, but Guinness will take over management control.

Globalisation stirs Swiss to shake up

Banks face new challenges, writes Norma Cohen

Whatever is happening in Switzerland? For decades, the quiescent clientele of the Swiss banks' fund management arms have been content with a service aimed at guaranteeing their capital and anonymity.

But in recent weeks, two of the three largest banks, Swiss Bank Corporation and Credit Suisse, have announced a shake-up of their corporate structure which includes a reorganisation of their asset management divisions.

Credit Suisse's move, which came only last week, effectively splits the fund management operations into two distinct corporate entities. These are Credit Suisse Private Banking, which is to be part of the bank's domestic Swiss activities, and Credit Suisse Asset Management, an autonomous division within the group's institutional banking arm, Credit Suisse First Boston.

Credit Suisse has not yet talked about the reorganisation's rationale, except for a pronouncement that: "The new structure responds to increasing globalisation and the needs of the group's markets".

But some data from Micropal, which measures the performance of retail investment funds, offers some interesting insights into the strengths and weaknesses of the CS business.

The bank's Swissac domestic equity fund ranks in the top quartile of similar funds over 1-, 3- and 5-year periods and its bond funds show similarly good performance. But its CS Tiger Fund, a Pacific Basin emerging markets fund which is one of the world's largest, ranks near the bottom over similar periods.

Mr Chris Poll, Micropal's chairman, says that the weaknesses of Swiss players generally in international equities is likely to become their Achilles heel. "Swiss banks have operated in a closed-shop environment. But wealth is becoming more international." Mr Poll estimates that 50 to 70 per cent of Swiss assets are from non-domestic clients and these view their wealth as mobile.

Credit Suisse's competitor, SBC, which announced an almost identical structural reorganisation six weeks earlier, cites the changing marketplace as part of its rationale. It has created an global institutional business, SBC Brinson, built around its US acquisition, Brinson Partners, which has an expertise specifically in international equities. It also formed a domestic business which covers the private client asset management divisions.

Moreover, the advent of new pensions laws in Switzerland has increased the demand for fund management.

"Because of the introduction of compulsory pensions (in 1985), Switzerland has become one of the most important asset management centres in the world," says Mr Gabriel Herrera, managing director of Swiss institutional asset management at SBC.

FUND MANAGEMENT

The law requires any employer of three people or more to create an occupational pension scheme. This has spawned a large number of schemes and, perhaps more significantly, has encouraged the managers of some existing schemes to think harder about the investment returns needed to provide benefits. And because equities have offered higher real returns than bonds, fund managers need to demonstrate their expertise in that area as well.

Moreover, some bankers privately say, the recent co-operation which Swiss authorities are giving to law enforcement officials in other countries is encouraging so-called hot money to move elsewhere. So Swiss bankers see fewer clients who only desire are anonymity and capital preservation.

This new competitiveness, Mr Herrera argues, is encouraging the polarisation of the Swiss asset management business. "Either you are a competent local manager or you are a truly global player," he says.

Mr Chris Nowakowski, president of InterSec, the US-based pension investment consultancy, says the changing client base is forcing Swiss banks to change their approach. "Their bread and butter had been an unnamed account who was only interested in capital preservation and didn't care about performance," he says.

"At the same time, we are seeing the growth of institutional asset mangement," Mr Nowakowski says. "And that money is interested in more than just capital preservation."

One indication of how competitive the market has become is that the Swiss Bankers Association has awarded InterSec a contract to measure the performance of individual Swiss funds, although none of its data may be released publicly. Also, from next January, the Association has agreed a format for calculating performance, which bankers may use in their marketing materials.

Another indication of the growing competitiveness is the use of professional consultants to help institutional clients choose a manager. Mr Nowakowski estimates that as many as two-thirds of institutional clients now use a consultant for at least a portion of their funds. This has allowed foreign fund managers to make first inroads into the traditionally closed Swiss market.

However, no one is suggesting the Swiss banks risk losing pole position in their home market any time soon. For one thing, restrictions on pension investments require heavy asset allocations in Swiss bonds and equities, the sectors in which the banks do best.

Second, they are demonstrating their determination to fight back by buying in expertise they do not already have.

"If only the Swiss could combine their reputation and their name with ability and performance," says Mr Poll wistfully. "Then they could have this market sewn up." The only question is whether they have left it too late.

Creditanstalt privatisation in doubt

By Eric Frey in Vienna

The privatisation of Creditanstalt has again been thrown into doubt after First Austrian Savings Bank met strong opposition to its proposal to set up a loose management holding group with Austria's second-largest bank.

First Austrian's partners in a consortium, which was set up to acquire the 70 per cent voting stake in the bank from the government, rejected its privatisation model because it gives the savings bank too much influence in the future banking group, which would have assets of more than Sch900bn ($83.7m).

The consortium's leader, Generali, the Italian insurer, put forward a counter-proposal for a tighter link between First Austrian, the country's fourth-largest bank, and Creditanstalt that would reduce First Austrian's role. This plan is believed to enjoy the support of the other bid-consortium members, including Commerzbank of Germany and Banca Commerciale of Italy.

Mr Guido Schmidt-Chiari, Creditanstalt chairman, is also highly critical of First Austria's model. In an interview, he said the future holding group must have 100 per cent of the shares in both banks to be viable.

He added that Creditanstalt's shareholders, which own 50 per cent of the equity capital and 30 per cent of voting rights, must receive an offer to convert their stock into the shares of the holding group.

The capital markets would not accept a banking group with three or more different stocks outstanding, Mr Schmidt-Chiari said. "If the holding does not have 100 per cent, it always has to take account of minority shareholders and cannot act as a group," he added.

Mr Schmidt-Chiari's goal is a full merger of the two banks, in which Creditanstalt would be the dominant partner.

In contrast, First Austrian wants to preserve some of its independence. It has put forward a complex ownership structure, under which the foundation that owns the bank would control the holding group and keep a 25 per cent stake in the savings bank. Moreover, Creditanstalt's shareholders would not receive an immediate conversion offer.

First Austrian's board is expected to decide today whether to modify its proposal or to leave the consortium. A departure by First Austrian would be likely to delay the overdue privatisation of Creditanstalt for another year.

On Friday, the finance minister, Mr Viktor Klima, urged the consortium to speed up its decision. Mr Klima urgently needs the receipts from the privatisation, estimated at about Sch15bn, to fill the federal budget gap, and has no alternative offer at hand.

Guido Schmidt-Chiari

Thyssen puts armaments offshoot up for sale

By Michael Lindemann in Bonn

Thyssen, the German steel and engineering group, is looking for buyers for its Thyssen Henschel arms-making unit. Recent cuts in the German defence budget mean the business is no longer profitable.

Thyssen Henschel is Germany's largest maker of armoured vehicles and one of several companies to be hit by budget cuts since the end of the cold war.

Spending on weapons has shrunk as the annual defence budget has fallen from about DM53bn in 1990 to DM47bn ($30.7bn) this year. It is likely to be cut further when the 1997 budget is approved by Chancellor Helmut Kohl's cabinet this week.

Thyssen wants to sell Henschel or bring it into an alliance with other manufacturers. The group declined to specify the turnover of the unit, one of several businesses in which the company is involved, including ship repair and the development of the Transrapid magnetic levitation train.

The sale is part of a restructuring designed to improve the profitability of a number of activities at Thyssen Industrie, the engineering division of the Thyssen conglomerate. Thyssen Henschel and Thyssen Still Otto, the unit specialising in plant, will be merged to create Thyssen Anlagentechnik.

Thyssen Henschel is also one of several German companies competing to build the new multi-role armoured vehicle – a new armoured personnel carrier – which the French and German armies have decided to build together and which Britain is expected to collaborate on. Thyssen Henschel has joined with Alvis and Vickers, the UK arms-makers, to compete for the MRAV tender.

NEWS DIGEST

Futuris to bid for Elders Australia

Elders Australia, the rural products group, and Futuris, a mini-conglomerate headed by Mr Alan Newman, the Perth-based businessman, have called off their plans to merge under a scheme of arrangement.

Instead, Futuris will make a shares and cash bid for Elders, worth about A$262m (US$207m). The change follows strong opposition to the merger from two Elders shareholders – London-based Marathon Asset Management, with about 8 per cent, and Sir James Goldsmith's General Oriental Investments, with around 7 per cent.

The two shareholders claim that there is little synergy between the companies involved in the merger, and that it represents an "opportunistic" move by Futuris. They have also expressed enthusiasm for Elders as a "pure rural play". Futuris owns a 30 per cent interest in Elders, but was unable to vote this under the scheme of arrangement.

The combined 15 per cent stake held by GOIL and Marathon was large enough to block the original merger plan, which needed the backing of 75 per cent of shareholders. The new offer comprises 10 Futuris shares for every nine in Elders while the cash version is 23 cents for each Elders share.

Nikki Tait, Sydney

Honda in recycling joint venture

Honda, the Japanese car company, has launched its first diversification into industrial waste recycling. The group is forming a recycling joint venture with Itochu Corporation, the Japanese trading company and EIN-Engineering, a Japanese producer of waste recycling equipment. It will produce floor tiles, furniture, and decorative housing materials from de-formed plastic components and general factory waste from Honda plants.

This is understood to be the first significant waste recycling joint venture by any Japanese car company inside Japan. The venture, to be called Honda UGR, will open at a new plant in Shizuoka, western Japan, next April and aims to achieve sales of Y400m ($3.6m) in its first year. Honda UGR hopes to reach annual turnover of Y1.5bn by 2001. The plant will also research recycling technology and develop equipment. The joint venture's Y400m capital will be 45 per cent owned by Honda and 35 per cent by Itochu, with EIN-Engineering holding 15 per cent and three Honda affiliates the remaining 15 per cent.

William Dawkins, Tokyo

Kenya Airways cuts routes

Kenya Airways, which was privatised recently, is to close two European routes and four international offices to cover the cost of pay increases awarded to its pilots last week by an industrial court.

The airline is stopping flights to Frankfurt and Zurich when the summer season ends in October and will close offices in Los Angeles, New York, Tokyo and Hong Kong. Fares on domestic flights are to be increased. But Mr Koome Mwambia, spokesman for Kenya Airways, said long-term growth plans would be maintained, including the purchase of two aircraft from Boeing.

Michela Wrong, Nairobi

Norsk Hydro and Petro-Canada to swap assets

By Bernard Simon in Toronto and Hugh Carnegy in Stockholm

Norway's Norsk Hydro and Calgary-based Petro-Canada have agreed to an asset swap that will give the Canadian oil and gas group a presence in the North Sea while bringing in Norsk Hydro as a partner in new oil and gas fields off the east coast of Canada.

Norsk Hydro will contribute C$80m–C$90m (US$58m–US$66m) toward two fields off the coast of Newfoundland. The Hibernia oil field is due to come on stream in late 1997 and the Terra Nova field around the end of the decade.

Norwegian energy groups have been seeking a wider international presence to compensate for the expected long-term decline in production from their North Sea interests.

Norsk Hydro said it planned to focus its foreign oil and gas activities on Canada as well as northern Russia and Angola, where it has offshore interests. The group has other operations in Canada, including a magnesium smelter, fertilisers and automotive parts.

Petro-Canada, which has been partially privatised by the federal government, has been seeking a foreign partner for some time. It said it was especially swayed by Norsk Hydro's expertise in floating platform technology and "long-reach" horizontal drilling. One Terra Nova well is 7.5km long.

Norsk Hydro will receive a 5 per cent stake in Hibernia and 15 per cent in Terra Nova, equivalent to estimated reserves of 94m barrels. Petro-Canada has a 25 per cent stake in Hibernia and 49 per cent of Terra Nova.

The Norwegian group will also gain 30 per cent of Petro-Canada's interest in future significant discoveries in the Jeanne d'Arc basin, under the north-east part of the Grand Banks of Newfoundland.

Petro-Canada will gain an immediate cashflow boost through the acquisition of 9 per cent and 7.5 per cent respectively in the Veslefrikk and Njord fields in the Norwegian sector of the North Sea. Veslefrikk is in production, and Njord is due to come on stream in late 1997.

The Canadian group also has right of first refusal on several other Norsk Hydro properties in the North Sea.

Acquisition lifts earnings at Océ

By Gordon Cramb in Amsterdam

Océ-van der Grinten, the Dutch reprographics group, boosted net profits 41.3 per cent to Fl 68.6m ($40m) in the half year to the end of May as sales – helped by the acquisition from April of Siemens-Nixdorf's printer division – rose 28.2 per cent to Fl 1.79bn.

The result, equivalent to Fl 4.04 per share compared with Fl 2.98 in last year's first half, was towards the top end of expectations. It was achieved despite a 21.8 per cent rise in financing charges to Fl 51.9m as the company borrowed to help pay for the Fl 900m German purchase.

During the period, Océ also raised Fl 400m through an institutional placing of 2.53m new shares, representing some 13 per cent of its expanded capital, and a further Fl 125m in a sale of preference shares.

The group said it had made "good progress" in absorbing the new activities but that "worldwide integration within the Océ organisation will take several more months".

Analysts say the takeover will strengthen the Venlo-based company in high volume printing and widen its access to the US market. The two-month contribution from the German printer unit improved interim sales 11 per cent, the company said, while a further 1 percentage point increase came from favourable exchange rates.

Of Océ's two main product groups, sales in office systems rose 16 per cent to Fl 984m while revenues from engineering systems – where the company supplies specialist copiers, printers and plotting equipment – were up 19 per cent at Fl 657m.

Operating profits increased 35.7 per cent to Fl 137.2m: for the second quarter alone they were up even more strongly, rising 44.3 per cent to Fl 79.5m. Sales in the three months to the end of May gained 45.3 per cent to Fl 1.02bn and net earnings were 49.8 per cent higher at Fl 41.2m. Earnings per share rose from Fl 1.69 to Fl 2.33.

In March, the company secured a US distributor for its Océ 9200 series of medium and high volume printers launched last year, for which it said "excellent results were booked". Digital copiers and printers, a main growth area of the industry, did well across the range of volumes in the US and Europe.

Minorco sells stake in Liberty International

By Mark Ashurst in Johannesburg

Minorco, the Luxembourg based offshore arm of South Africa's Anglo American Corporation, has sold its 5 per cent interest in Liberty International Holdings, the UK-based property company for £56.6m ($88m).

The stake, comprising a 4.7 per cent interest in ordinary shares and a 9.81 per cent stake in series A preference shares in Liberty International, formerly TransAtlantic Holdings, has been bought by SBC Warburg and UBS.

The sale is the latest in a string of similar disposals of Minorco's listed investments this year. Last month, the company sold its 9.9 per cent interest in UK group Johnson Matthey for £132m, and on March 1 netted $250m for its 3 per cent stake in Australia's PosGold.

Since the 1995 year-end, Minorco has also sold its 19 per cent stake in Australia's Normandy Mining and a 9.7 per cent interest in US-based Santa Fe Energy Resources.

Minorco said it was "shoring up for big capital expenditure in South America" where gold, copper and nickel projects in Argentina, Brazil, Chile, Peru and Venezuela are scheduled to come on stream before 2000.

The largest of these is the Collahusi copper project in Chile, in which Minorco and Falconbridge each hold a 50 per cent interest.

Collahusi is forecast to absorb $1.8bn in capital expenditure before production begins in late 1998 or early 1999. Estimated annual production is 300,000 to 350,000 tonnes over 45 years.

Mr Barry Seargent, mining analyst at BoE Natwest Securities, said capital inflows for Minorco's South American projects would peak "in about two years" and new opportunities could dent Minorco's cash reserves in the short term.

Minorco was "keeping a close eye" on smaller exploration projects with a view to possible takeovers, notably among the so-called mining "juniors" listed in North America, he said.

Liberty International Holdings is the property arm of Liberty Life, the South African insurance group which owns 74 per cent of UK-based Capital Shopping Centres and 100 per cent of Capital and Counties. Both companies have experienced strong growth in the UK commercial property sector.

Alcoa profit down 40% after charge

Alcoa, the world's top aluminium producer, suffered a 40 per cent drop in earnings to $132.2m, or 76 cents per share, for the second quarter. The result included a previously announced after-tax charge of $40m for the shutdown of its ceramic packaging operations in San Diego, California, AFP reports from Pittsburgh.

Before the charge, the company recorded earnings of $172.2m, or 99 cents per share, slightly below consensus expectations. The result included after-tax losses of $33.8m, or 19 cents per share, resulting from marking to market certain aluminium commodity contracts.

The company said it entered into these commodity contracts to lock in conversion margins for fabricated product businesses, and to have its primary metal units at market prices at all times.

Of these losses, Alcoa said $6.6m, or 4 cents per share, was attributable to fabricated product sales contracts delivered during the second quarter and $27.2m, or 15 cents, to fabricated product sales contracts that would be shipped in future quarters.

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Richard Lapper

Brady bonds at their peak

It is a paradox that one the biggest banking disasters of the 1980s should become one of the hottest investments of the 1990s - but that is what has happened to more than $140bn of Latin American and other developing country commercial bank debt.

Over the past five years these bank loans, usually trading on the international market in a securitised form, and constituting a kind of "sovereign junk", have offered investors some of the most spectacular returns available anywhere in the world.

Brady bonds, named after the US treasury secretary, Mr Nicholas Brady, architect of the first Bradys issued by Mexico in 1990, are the most liquid securitised bank debt.

They have shown an overall return of 150 per cent since JP Morgan, the US bank, first calculated its widely used emerging market Brady bond index in 1990. That is a better return than has been available from UK or US equities, or even high-flying emerging market equities over the same period (see chart).

Non-securitised loans have risen in price in an even more remarkable fashion. Speculators smart enough – and brave enough – to buy $1m of Peruvian loans in 1990, when Sendero Luminoso guerrilla attacks regularly left the country's capital in darkness, are sitting on an asset worth more than $22m at current market prices. Russian debt prices have risen by nearly five times over the past three and a half years.

Over the past year, prices have risen, on the back of improved economic prospects in a number of countries and demand from a wider range of institutional investors for higher-yielding paper.

Since January, the performance has occurred despite a fall in the US bond market, which Bradys have typically tended to follow because many of the instruments are collateralised against US zero coupon Treasury bonds.

While long bond prices have fallen and yields have climbed – from 5.95 per cent to 7.16 per cent on Friday – Brady prices have risen by an average of nearly 12 per cent, with their performance correlating closely to emerging market equities. The stripped spread over Treasuries, which is based on the Brady price less the value of US Treasury bond collateral and is used as a measure of credit risk, has fallen from an average of 1052 to 768 basis points.

Despite this buoyant picture, however, opportunities for the kind of huge capital gains investors have made with Russian and Peruvian debt are beginning to diminish. This is mainly because with less non-performing debt left to convert, the Brady market is reaching its peak and looks set to diminish in size in the longer-term.

Later this month, Panama will become the ninth Latin American country and 14th country overall to issue Bradys, while Peru is putting the final touches on a scheme allowing it to issue Bradys by December. And last Monday, Russian securitised debt created as a result of the country's $33bn commercial debt restructuring agreed earlier this year, began trading on a "when and if issued" basis. The Russian securities are not technically Bradys, but will be seen by investors and traders as part of the same type of asset.

But after these issues only a few other debtors are in the queue to issue Bradys and likely candidates such as Cote d'Ivoire and Vietnam owe comparatively small amounts of money. At the same time some countries are capitalising on their improved creditworthiness to retire some of their Brady debt and issue longer-dated conventional debt, which is not collateralised.

In May, Mexico swapped $1.75bn of its Bradys for conventional long-dated dollar-denominated debt, for example, and the Brazilian government is examining a similar scheme.

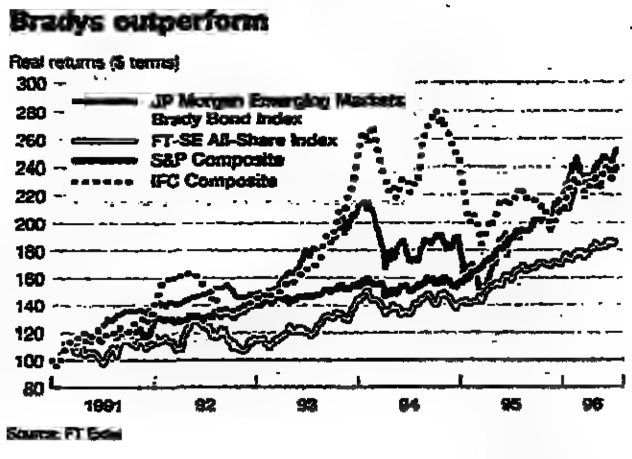
Meanwhile, the scale of the broader emerging market debt is growing quickly. Issuance of new international bonds by Latin American, eastern European and Asian borrowers is running well ahead of last year's levels.

According to the Emerging Market Traders Association in New York the volume of sovereign non-Brady bonds traded during 1995 rose by 74 per cent to $134.3bn, while trading volumes of Bradys declined by 6 per cent.

In short, the Brady market is merging into a growing and wider class of emerging market fixed income assets, ranging from dollar, D-Mark and yen denominated eurobonds to local currency bonds and money market instruments.

With yields likely to come under pressure as credits improve, investors will need to scour that market carefully to find the scale of returns once offered by Peruvian and Russian loans.

Bradys outperform



Source: FT Extel

Total return in local currency to 4/7/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.06	0.07	0.18	0.11
Month	0.45	0.04	0.28	0.32	0.76	0.54
Year	5.88	1.06	4.75	6.51	11.50	7.80
Bonds 3-5 year						
Week	0.64	0.17	-0.29	0.12	0.13	0.07
Month	0.96	-0.13	-0.76	0.07	1.60	1.44
Year	4.22	1.91	8.52	12.24	22.68	11.22
Bonds 7-10 year						
Week	1.02	0.25	0.02	0.44	0.39	0.32
Month	1.38	-0.28	-0.09	0.36	2.36	1.65
Year	2.95	1.01	10.41	14.99	32.32	12.86
Equities						
Week	0.70	-1.10	0.60	0.90	1.20	[illegible]
Month	0.00	1.10	2.00	0.80	-0.60	0.90
Year	25.30	40.00	21.30	16.20	5.30	[illegible]

Source: Cash & Bonds - Lehman Brothers. Equities @ FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Growth in milling and baking side raises Tomkins

■ **Tomkins:** The industrial conglomerate is today expected to unveil increased full-year pre-tax profits of £320m-£330m, compared with £303m, following strong growth at its milling and baking arm. The group is likely to cite the benefits of a three-year restructuring in that business – acquired as part of its 1992 acquisition of Ranks Hovis McDougall – as the main factor behind the rise in profits.

Growth in the foods business has offset a disappointing performance in the professional, garden and leisure products area, which has been hit by inclement weather in the US.

Mr Greg Hutchings, chairman, is thought to be considering further bolt-on acquisitions in milling and baking, although the company first wants to complete its $1.37bn takeover of Gates Corporation, the family-owned US manufacturer of power transmission belts.

Industry analysts are predicting increased earnings per share of about 19p, up from 17.92p, with a full-year dividend of almost 10p, up from 8.65p.

■ **Low & Bonar:** Industry analysts expect the packaging company to overcome mixed trading conditions by announcing increased interim pre-tax profits today of £26m-£28m, compared with £24.8m.

Its US businesses are thought to have shown the sharpest improvement after some heavy restructuring. Earnings per share may rise to 19p, from 16.77p, with a first-half dividend of about 4p, against 3.6p.

■ **John Menzies:** A January profits warning has set the tone for tomorrow's presentation of full-year figures at the wholesale and retail group.

Analysts are forecasting profits of £33m-£35m, after £38.1m last year.

The group has been hit by a shake-up in the wholesale market, causing a margin squeeze, and the impact of the newspaper price war.

■ **Dixons:** The UK's biggest electrical retailer will be expected to confirm a strong recovery in its fortunes when it presents its annual figures on Wednesday.

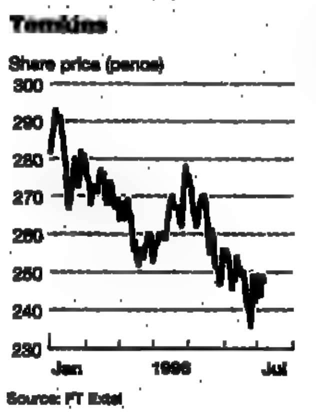
Analysts are looking for profits of £130m-£135m, after £100m last year, bolstered by group like-for-like sales growth of more than 10 per cent despite a difficult retail environment.

Its shares have almost doubled from 268p in the past year.

Dixons has been helped by generally weak competition, following the closure of Rumbelows and the withdrawal from retailing of several regional electricity companies. It has also benefited from the rapid expansion of PC World, the personal computer superstores division, and improved formats at many Dixons stores.

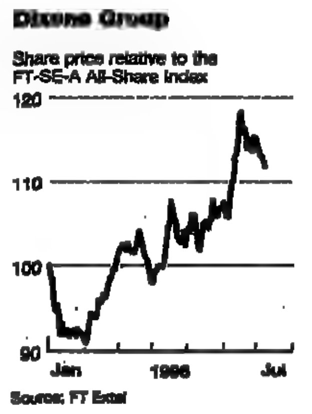
The issue of extended warranties can be expected to feature in analysts' questioning, but the main focus will be on how the group can maintain its momentum.

Tomkins



Source: FT Extel

Dixons Group



Source: FT Extel

By Ashley Ashwood

Greg Hutchings, Tomkins chairman: considering further bolt-on acquisitions in milling and baking

INTERNATIONAL EQUITIES By Sally Bowen

Latin America claws its way back

Latin American equities may be clawing their way back into investor favour if last week's successful placement of $918m in Telefonica del Peru on the New York stock exchange is anything to go by.

Adding in a domestic tranche, the Peruvian government's holding raised a total of $1.1bn, making this the fourth largest equity offering in the continent in the past five years. Only Argentina's oil giant YPF and two issues of Mexico's telecoms company Telmex have raised more.

Telefonica, formed out of two formerly state-controlled telecoms companies, was part-privatised in February 1994 when Telefonica de Espana in a shut-out bid offered over $2bn for a 35 per cent controlling stake. The government retained 28.6 per cent: that holding is now reduced to 5 per cent.

The Telefonica del Peru placement was the first big test for Latin American equities since the Mexican peso crisis of late 1994 dealt a devastating blow to international investor confidence. For a time, it seemed the offering might founder: Peru's GDP growth, exceptionally strong from 1993-95, slowed to a virtual halt in the first half of this year, inflation picked up again slightly, and investment banks' enthusiasm waned.

But, advised by global co-ordinators JP Morgan and Merrill Lynch, the Peruvian government took a gamble and launched the offer ahead of other large telecoms placements such as Deutsche Telecom, due later this year.

The gamble paid off, with the international tranche oversubscribed by five times. The ADR price, finally announced late last Monday night after a six hour delay, was a surprisingly high $20.5. In the first day's trading, Telefonica shares both in New York and Lima put on over 10 per cent.

Telefonica shares are already important in determining movements in the Lima stock exchange index. Non-voting "B" shares – originally issued to telephone subscribers by the previous government – regularly represent up to a third of daily volumes traded. Mr Rafael Hernandez, president of Telefonica del Peru, says the existence of a large number of international investors will enhance the stability of the share. International confidence in the offer was boosted by domestic support. The Peruvian government had used Telefonica as a launch-pad for its "citizen participation" programme, a popular capitalism initiative designed to reinforce the privatisation process, create a broad-based shareholder community and encourage saving. Some 263,000 Peruvians signed up to buy small packages of shares offered on an attractive instalment plan.

Such was the international demand, however, that a last-minute decision was taken to cut back the domestic tranche to $148m. Peruvian institutional investors have been allocated a further $43m. Although the smallest individual investors will get what they applied for, tens of thousands of Peruvians – many of them first-time investors – have been left disappointed and resentful.

Prospects for a strong after-market in Telefonica shares look good, according to analysts. Meanwhile, Peruvian economic growth is set to pick up in the second half of the year and level off at a steady 5 to 6 per cent.

Telefonica has exclusivity over Peruvian fixed line and long-distance telephony until 1999. In addition to installing new lines, it is rapidly expanding its cellular telephony and cable services: investment this year alone will be around $700m. It is already Peru's largest company, billing more than $1bn last year.

The Telefonica success is being interpreted as a good omen for other large forthcoming Latin American equity offerings. Next on the list is expected to be the Brazilian steel giant CRVD.

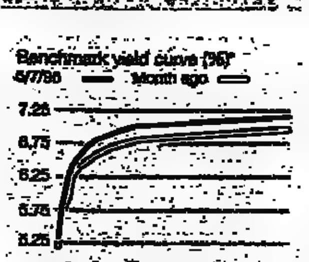
FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JULY 5 1996 US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY JULY 4 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (79)	200.98	6.7	191.48	140.78	159.56	168.82	-0.6	4.36	198.81	188.91	138.71	157.47	168.58	212.18	164.99	164.99
Austria (24)	182.65	4.7	174.12	128.02	145.10	145.04	11.8	1.94	183.07	173.95	127.72	145.00	144.94	198.98	168.11	197.04
Belgium (27)	211.18	1.0	201.32	148.02	167.76	163.75	7.9	4.07	212.92	202.31	148.55	168.64	164.65	215.81	188.06	198.05
Brazil (28)	183.83	33.3	175.24	128.85	146.03	339.92	37.7	1.92	187.75	178.40	130.99	148.71	347.25	187.76	123.97	134.75
Canada (120)	160.01	7.8	152.54	112.15	127.11	158.57	8.2	2.28	161.96	153.89	113.00	128.28	159.44	165.12	134.14	144.05
Denmark (30)	304.33	5.4	290.12	213.31	241.76	243.62	11.9	1.88	309.01	293.62	215.60	244.75	246.68	309.01	276.89	277.85
Finland (23)	192.91	3.1	183.90	135.21	153.24	188.88	10.8	2.65	194.83	185.13	135.93	154.32	190.26	276.11	171.73	244.05
France (96)	195.51	9.0	186.38	137.03	155.31	158.37	15.1	3.04	198.11	188.24	138.22	156.91	160.06	188.39	167.70	186.58
Germany (59)	172.19	5.2	164.15	120.69	136.78	136.78	12.3	1.82	172.43	163.84	120.30	136.57	136.57	174.38	155.86	159.08
Hong Kong (59)	434.64	12.1	414.34	304.65	345.27	431.96	12.2	3.30	435.25	413.57	303.67	344.74	432.56	451.19	348.61	367.49
Indonesia (27)	203.61	-	194.10	142.71	161.74	292.41	-	1.56	210.08	199.61	146.57	166.39	301.89	-	-	-
Ireland (16)	283.09	10.8	269.87	198.42	224.88	260.02	11.3	3.43	282.92	268.83	197.39	224.09	249.12	290.82	235.88	238.15
Italy (59)	82.48	11.9	78.63	57.81	65.52	94.38	8.1	2.33	82.74	78.61	57.72	65.53	94.48	84.53	67.22	78.05
Japan (481)	153.02	-1.2	145.87	107.25	121.55	107.25	6.2	0.71	153.87	146.21	107.36	121.87	107.38	164.68	137.75	144.23
Malaysia (107)	561.07	15.7	534.87	393.26	445.70	538.21	13.4	1.67	560.66	532.73	391.17	444.07	537.82	585.09	425.77	539.89
Mexico (18)	1190.90	15.0	1135.29	834.72	946.04	9834.81	13.9	1.34	1218.98	1158.25	850.47	965.49	10141.02	1325.65	791.98	1073.83
Netherland (19)	295.22	8.2	281.44	206.93	234.52	230.98	15.6	3.12	298.45	283.56	208.23	236.38	232.81	299.69	245.79	263.24
New Zealand (15)	81.61	2.5	77.80	57.21	64.83	63.15	-2.4	4.30	81.54	77.47	56.89	64.58	63.11	85.49	75.94	81.04
Norway (35)	253.74	9.7	241.89	177.85	201.58	224.43	13.2	2.02	255.65	242.92	178.37	202.49	225.45	256.94	222.24	234.47
Philippines (22)	219.41	-	209.16	153.79	174.30	286.32	-	0.59	219.23	208.31	152.95	173.64	286.95	-	-	-
Singapore (44)	411.61	1.1	392.58	288.65	327.14	268.94	1.1	1.42	412.48	391.93	287.78	326.70	269.30	466.21	356.61	392.82
South Africa (44)	363.30	-5.7	346.33	254.64	288.60	344.35	12.2	2.10	363.97	345.84	253.94	288.28	345.10	437.79	341.16	341.16
Spain (37)	179.94	8.9	171.53	126.12	142.94	176.06	15.3	3.33	182.67	173.57	127.44	144.68	177.32	183.85	145.15	148.86
Sweden (48)	351.09	12.5	334.69	246.09	278.90	346.81	13.3	2.46	356.11	338.37	248.46	282.06	350.57	360.77	276.53	276.53
Switzerland (37)	242.38	2.7	231.06	169.89	192.54	189.82	12.6	1.56	245.86	233.61	171.53	194.73	191.28	252.34	191.24	203.33
Thailand (45)	172.32	2.4	164.27	120.78	136.89	169.99	3.3	1.94	172.92	164.31	120.65	136.96	170.47	193.95	146.74	177.42
United Kingdom (200)	235.76	2.3	224.75	165.25	187.28	224.75	2.1	4.16	237.48	225.65	165.69	188.10	225.65	237.48	216.52	218.38
USA (627)	267.50	6.5	255.01	187.50	212.50	267.50	6.5	2.21	273.52	259.89	190.83	216.64	273.52	276.47	223.46	223.46
Americas (793)	244.61	6.8	233.19	171.45	194.32	206.68	6.9	2.20	249.99	237.54	174.42	198.01	210.14	252.43	204.79	204.79
Europe (710)	211.44	5.3	201.56	148.20	167.96	185.15	9.0	3.06	213.30	202.67	148.82	168.94	186.18	213.30	189.33	191.64
Nordic (138)	302.49	9.7	288.38	212.02	240.29	263.07	12.6	2.34	306.47	291.21	213.82	242.74	265.69	306.61	261.13	286.88
Pacific Basin (879)	166.27	0.6	158.51	116.54	132.08	118.33	6.2	1.17	166.97	158.66	116.50	132.25	118.44	177.01	148.96	154.75
Euro-Pacific (1589)	184.98	2.8	176.34	129.65	146.94	143.66	7.5	2.07	186.18	176.89	129.88	147.45	144.11	190.57	166.51	170.05
North America (747)	260.92	6.5	248.73	182.88	207.27	260.27	6.6	2.21	266.66	253.37	186.04	211.20	265.90	269.52	218.54	218.54
Europe Ex. UK (510)	193.01	7.0	183.99	135.28	153.32	161.00	12.9	2.47	194.86	185.15	135.95	154.34	162.02	194.86	169.65	172.82
Pacific Ex. Japan (396)	288.63	9.1	275.15	202.30	229.28	249.08	8.8	2.96	288.27	273.91	201.13	228.33	249.28	298.68	243.59	265.12
World Ex. US (1799)	186.31	3.0	177.61	130.59	148.00	149.14	7.9	2.07	187.57	178.22	130.86	148.56	148.65	191.56	167.36	170.94
World Ex. UK (2226)	208.90	4.7	199.15	146.42	165.95	178.13	7.8	1.93	211.82	201.27	147.79	167.77	180.30	213.05	189.96	189.66
World Ex. Japan (1945)	243.42	6.2	232.05	170.62	193.37	230.53	7.7	2.54	247.23	234.91	172.49	195.82	233.88	247.55	210.99	210.99
The World Index (2426)	211.29	4.5	201.43	148.10	167.85	182.50	7.3	2.13	214.12	203.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MARKETS: This Week

NEW YORK By Richard Tomkins



Most of America was on *holiday at the end of last week*, bridging the gap between the Independence Day holiday on Thursday and the weekend: but enough traders were at their desks to send stock and bond prices tumbling on Friday when the June employment report showed that unemployment had fallen far more than expected.

Earlier in the week, the Federal Reserve had given the markets a boost by leaving short-term interest rates unchanged. But the June employment report rekindled fears that the recent increase in long-term interest rates was failing to provide an adequate brake on economic activity, raising the *prospect of higher* inflation.

The trouble is that with few signs of accelerating price rises in the economic statistics so far, there is still no solid evidence of whether that prospect is real. So one set of data that will be closely studied this week will be the figures due out on Friday for the producer price index.

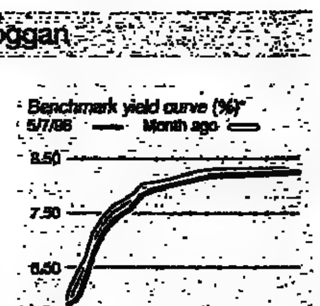
Analysts are looking for a benign report showing that the index of prices for finished foods was unchanged in June, with lower oil prices helping offset higher food prices.

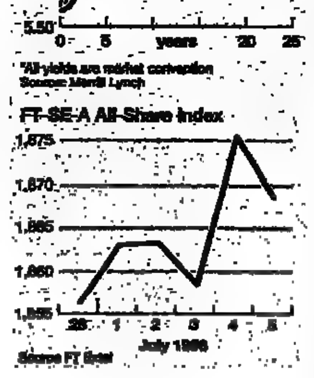
The core index – excluding the more volatile energy and food components – is expected to have edged up only 0.1 per cent from May, leaving it only 1.6 per cent higher than a year earlier. If so, some of the market's inflationary fears may ease.

The markets will also have to wait until Friday for the week's other main economic report: the figures for June retail sales.

The median forecast of economists surveyed by MMS International is for an increase of 0.2 per cent – again, hardly a cause for alarm. Even so, after last week's setback, it is likely to be a jittery week.

LONDON By Philip Coggan





The Treasury will unveil its latest economic forecasts on Tuesday. It will be no surprise if Mr Kenneth Clarke, the chancellor of the exchequer, lowers his forecast for gross domestic product growth and increases that of the public sector borrowing requirement, but the latter will be watched closely by gilt investors, both for an indication of the scale of issuance and of the scope for election-winning tax cuts.

The London market was saved from a rise in US interest rates last week but it may have been a temporary reprieve. Friday's strong US non-farm payroll figures convinced some commentators that an increase will come when the *Federal Reserve's* open market committee next meets in August.

UK interest rate policy also seems to be on hold following last week's meeting between the chancellor and Mr Eddie George, the governor of the Bank of England.

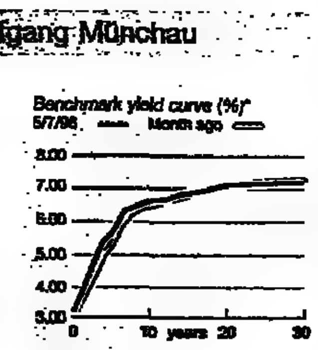
This week's batch of economic data, which includes producer prices and manufacturing output today and retail prices on Thursday, will indicate whether the chancellor might have an economic, as well as a political, justification for further cuts in rates.

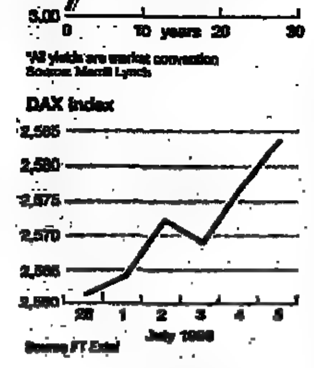
The FT-SE 100 index continues to be stuck in its recent 3,650 to 3,850 range, and the last few weeks have seen some of the shine taken off the performance of smaller companies.

Some of the bid fever has been slowly draining out of the market, and a steady stream of new issues and rights issues has altered the supply/demand balance which had been so much in the market's favour.

In addition, analysts have been edging down their earnings forecasts for 1996 – this week, they will have a chance to pore over the results of Tomkins and Dixons.

FRANKFURT By Wolfgang Münchau





The sideways movement of the German stock and bond markets continued last week because of a lack of economic and corporate data and because the German summer holiday season is in full swing.

US developments continue to have an unusually strong influence on German market sentiment; last week's strong US labour data were a prime example of this effect.

Perceptions about the German economy are highly consensual: most forecasters expect a modest recovery in the second half after a negative first-quarter and a still-weak second quarter that showed the first tentative signs of a pick-up.

As a result of the high degree of forecasting consensus, the lack of new information and stable interest rates, the bond market remained stuck, with the current yield still at about 6 per cent.

The securities repurchase (Repo) rate remains at 3.3 per cent, well above the discount rate floor of 2.5 per cent, with no current expectations of a change in either direction for some time.

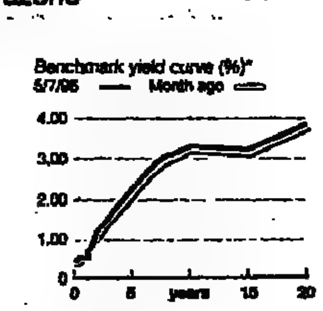
Again, any further impetus is bound to come from the US markets, and especially from inflationary expectations there.

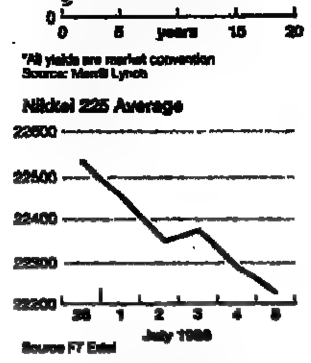
German inflation is extremely low, and is expected to remain well below 2 per cent as far as any reasonable forecasting horizon.

The DAX share index briefly hit an all-time high last week, but its general direction has been static, albeit at a high level.

During the first six months of the year the DAX rose 13.6 per cent, an above-average performance resulting largely from strong increases in the share prices of the chemical, textile, utilities and motor vehicle sectors. For the second half, opinion is sharply divided.

TOKYO By Emiko Terazono





Concern over a possible shift in the Bank of Japan's monetary policy weighed on financial markets last week owing to the bank's neutral stance in its daily short-term money market operations.

Although the market consensus seems to be that an increase in the official discount rate will not occur until the autumn, long-term interest rates – unlike currency rates, where the yen has weakened against the dollar on expectations of a widening interest rate differential between the US and Japan – seem to have once again started to discount a credit tightening move.

Stock market participants have also been affected by uncertainty, since the excess liquidity created by record low interest rates has helped the market's recovery so far. With more than Y3,000bn in long arbitrage positions, there are worries that a rise in short-term rates could jolt the market.

Investors have also refused to regard the yen's decline against the dollar as a positive factor. Although some leading export-oriented stocks have rallied, the negative effect on import prices has hit utility and oil refinery stocks, which rely on fuel imports.

Economic figures released this week could help calm some of the jitters, although a further fall in the yen could hit confidence. The current account balance for May is likely to show a steep decline, in line with the 60.5 per cent year-on-year fall in the customs-cleared trade surplus.

Machinery orders for May are likely to show a fall after a big increase in April, says SBC Warburg in Tokyo. June wholesale prices, meanwhile, are expected to be supported by the yen's weakness, although domestic prices are likely to remain soft because of overcapacity.

OTHER MARKETS Compiled by Michael Morgan

JOHANNESBURG

The so-called Precious Metals Complex will be the focus of attention on the Johannesburg markets this week, *writes Mark Ashurst.*

The gold quarterlies reporting season begins and dealers will be keeping a wary eye on the week-old stoppage at Anglo American's Rustenburg Platinum mine, the world's biggest producer of the metal.

Gold Fields of South Africa, probably the most troubled of the country's gold mines, reports on Thursday, with analysts hoping that the 18 per cent devaluation of the rand since February, and the stronger rand gold price, will sustain the last quarter's general improvement in the sector.

"There has been a lot of attention on the mines' gearing relative to the rand gold price, so we will have a busier week. But quarterlies are historic numbers really – the market has already discounted the lower monthly gold production figures released by the Chamber of Mines," said Mr Greg Hunter, gold analyst at Deutsche Morgan Grenfell.

The rand, which drifted weaker after the July 4 Independence Day holiday in the US last week, is likely to benefit from renewed foreign interest early in the week.

But dealers said most long positions taken by platinum buyers, alarmed at the Rustenburg stoppage, had been liquidated. Rustenburg supplies 27 per cent of the world's platinum, but any shortfall would be offset by Russian stockpiles.

Platinum was expected to trade at its usual premium of $8 over gold, after bouncing between $10 and $7.30 last week.

ZURICH

After the unexpected news in March of the plan by Sandoz and Ciba to link under the name of Novartis, and last week's announcement of the restructuring at CS Holding, investors can be forgiven for believing that anything is now possible in the traditionally straight-laced Zurich market.

Last Thursday, Nestlé stepped into the limelight on rumours, which began in Paris, suggesting that the Swiss company planned to sell its indirect stake in L'Oréal, the French cosmetics company.

Nestlé's shares shot up 3.2 per cent to their high point for the day before before doubts began to emerge. But the shares, which have underperformed a strong market for much of the year, still settled 1.3 per cent higher on the day.

The rumours suggested Nestlé planned to sell its 49 per cent stake in Gesparal, which in turn owns 53.7 per cent of L'Oréal. It did not take long for some analysts to point out that the story did not make sense, not least because Nestlé did not need the cash from a sale.

Nestlé declined to comment on the speculation, and investors will have to wait until next Tuesday, when the company is likely to be more forthcoming about its interim sales figures.

HONG KONG

The US will continue to hold sway over the market, and investors will start the week by digesting the latest US employment data, released after the Hong Kong market closed on Friday, *writes Louise Lucas.*

Any pressure pushing bond yields upwards is likely to hit Hong Kong equity prices.

The benchmark Hang Seng index, which closed on Friday at 11,177, benefited from a rally on Thursday. However, it is likely to meet stiffer resistance past 11,200, analysts say. Year-end forecasts are relatively modest: Goldman Sachs, for example, is looking at a 12-month forward target of 12,000.

Particular focuses of attention this week are expected to include H-shares, mainland companies listed in Hong Kong, whose prices have been weaker recently on investors' revised perceptions of China's economic growth.

Investors will also be looking at infrastructure stocks, which are now hitting the market after being spun off from property developers. The latest, Cheung Kong Infrastructure, will start trading later this month.

COMMODITIES By Richard Mooney

Coffee frost fears may return

Coffee prices fell sharply on the London Commodity Exchange last week as fears eased that Brazil's crop, the world's largest, would be damaged by frost and with forecasters suggesting milder weather could continue well into this week, sellers were encouraged to press futures prices down still further.

By Friday's close, second-position futures on the London Commodity Exchange's robusta coffee market were down $142 on the week at $1,639 a tonne, $200 below the high reached 2½ weeks ago when concerns over frost were at their peak.

This week, however, sellers may be more cautious as the high season for Brazilian frost scares approaches.

Weather Services Corporation, the private US forecasting group, said on Friday that no dangerously cold weather was likely in Brazil's coffee producing areas for the next three to five days, but said there were signs that cooler air could reach the coffee belt late this week.

● Events this week include the four-day West African International Mining Exhibition and Conference, which begins in Accra tomorrow. Metal Bulletin magazine's two-day annual Aluminium Conference in Berlin also opens tomorrow.

On Wednesday, the International Primary Aluminium Institute releases its stocks data for May and, in Karachi, a two-day international conference starts on Pakistan's cotton and textiles industry.

Also that day is the Home-Grown Cereals Authority's annual harvest lunch in London, at which it will give its first estimate of the coming UK harvests.

On Friday, the US Department of Agriculture releases its latest US crop production and world agriculture supply and demand estimates.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Republic Industries (US)	ADT (Bermuda)	Security systems	$5bn	Republic buying spree continues
Sanwa Shutter (Japan)	Overhead Door Corp (US)	Metal doors	$470m	Seals long relationship
Reed Elsevier (UK/N'lands)	Shepard's (US)	Publishing	est $250m	Legal joint venture
Tyco International (US)	Thorn Security (UK)	Security Systems	$215m	MBO exit
CRH (Ireland)	Allied Building Products (US)	Building materials	$121m	New division for CRH
Carter Holt Harvey (NZ)	Forwood Products (Australia)	Timber processing	$101m	Buy from state government
Cookson Group (UK)	Camelot Systems (US)	Electronic components	$100m	Strengthens sector presence
Thomas Cook (UK/Germany)	Sunworld (UK)	Travel	$59m	Buy from Spain's GVI
Compass (UK)	PFM (US)	Catering	$28m	Catch-up move
GE Capital Services (US)	CompuNet Computer (Germany)	IT systems	n/a	Global services step

CURRENCIES

Fed position gives dollar watchers cause for concern

Market surveys suggest that sentiment towards the dollar remains resolutely bullish – however, it is possible that last Friday's US payroll report has finally presented the market with something to worry about.

The rise in hourly earnings was strong, and with the Fed apparently having decided earlier in the week not to tighten policy, an often-heard phrase of 1994 returned to the market lexicon: the Fed being "behind the curve" – market jargon for acting too little, too late – was often cited as a key factor in the fall of the dollar to a record low during 1994–95.

One observer who believes a replay may be on the cards is Mr Mark Hendriks, an analyst at SBC Warburg in London. Ahead of the employment report, he said the Fed's decision to leave rates unchanged increased the risk of them being behind the curve. "In this case, real interest rates are less supportive of the dollar at a time when real rates in both Japan and Germany will be looking more attractive," he said.

"Fed credibility and its effect on the bond and equity market will also clearly affect the dollar. The lack of any rise this week has increased the risk of this being an issue during the summer."

In general, in the absence of any large policy events or key data, markets will continue to monitor the trends in the leading economies in order to predict where monetary policy is likely to change first.

More specifically, sterling is likely to remain a focus as traders and investors try to assess how much further it can strengthen.

Mr Hendriks reckons sterling will break above DM2.40 in the months ahead. In the short term, buoyant consumer spending is boosting the pound.

Longer-term, he believes it is supported by structural factors such as undervaluation; the UK's status as a net creditor country; and its more favourable mix of population and pension funding arrangements compared with other OECD countries.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, July 5, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7386.73	4750.00	3108.84	4283.72
Albania	(Lek)	154.422	99.3000	64.9889	89.5522
Algeria	(Dinar)	83.9943	53.9735	35.3230	48.6752
Andorra	(French Fr)	8.0303	5.1640	3.3798	4.6571
	(Sp Peseta)	199.700	128.420	84.0445	115.814
Angola	(Readj Kwanza)(1)	49427.3	31784.0	20801.0	28663.9
Antigua	(E Carib $)	4.1988	2.7000	1.7670	2.4350
Argentina	(Peso)	1.5529	0.9996	0.6535	0.9006
Armenia	(Dram)	637.312o	409.820	268.207	369.590
Aruba	(Florin)	2.7836	1.7900	1.1715	1.6143
Australia	(Aus $)	1.9653	1.2638	0.8271	1.1397
Austria	(Schilling)	16.7224	10.7536	7.0377	9.6980
Azerbaijan	(Manat)	6764.69o	4350.00	2846.88	3922.98
Azores	(Port Escudo)	244.050	156.940	102.709	141.534
Bahamas	(Bahama $)	1.5551	1	0.6545	0.9018
Bahrain	(Dinar)	0.5863	0.3770	0.2467	0.3400
Balearic Is	(Sp Peseta)	199.700	128.420	84.0445	115.814
Bangladesh	(Taka)	64.4566	41.4500	27.1270	37.3811
Barbados	(Barb $)	3.1278	2.0113	1.3163	[illegible]
Belarus	(Rouble)	25008.0o	16080.0	10523.6	14501.5
Belgium	(Belg Fr)	48.8947	31.4425	20.5776	28.3560
Belize	(B $)	3.1102	2.0000	1.3089	1.8037
Benin	(CFA Fr)	803.030	516.400	337.958	465.708
Bermuda	(Bermudian $)	1.5551	1	0.6545	0.9018
Bhutan	(Ngultrum)	54.4289	35.0000	22.9058	31.5642
Bolivia	(Boliviano)	7.9152	5.0900	3.3312	4.5903
Botswana	(Pula)	5.2274	3.3614	2.1999	3.0314
Brazil	(Real)	1.5621	1.0046	0.6575	0.9060
Brunei	(Brunei $)	2.1989	1.4140	0.9254	1.2752
Bulgaria	(Lev)	277.819	178.650	116.918	161.113
Burkina Faso	(CFA Fr)	803.030	516.400	337.958	465.708
Burma	(Kyat)	9.2148	5.9255	3.8780	5.3438
Burundi	(Burundi Fr)	494.899	318.242	208.274	287.002
Cambodia	(Riel)	3576.73	2300.00	1505.24	2074.22
Cameroon	(CFA Fr)	803.030	516.400	337.958	465.708
Canada	(Canadian $)	2.1282	1.3686	0.8957	1.2343
Canary Is	(Sp Peseta)	199.700	128.420	84.0445	115.814
Cp. Verde	(CV Escudo)	129.027	82.9700	54.2997	74.8253
Cayman Is	(CI $)	1.3236	0.8511	0.5570	0.7676
Cent. Afr. Rep	(CFA Fr)	803.030	516.400	337.958	465.708
Chad	(CFA Fr)	803.030	516.400	337.958	465.708
Chile	(Chilean Peso)	640.292	411.750	269.470	371.331
China	(Yuan)	12.9380	8.3200	5.4450	7.5033
Colombia	(Col Peso)	1658.84	1066.55	698.004	961.852
Comoros	(Fr)	600.518	386.160	252.723	348.253
Congo	(CFA Fr)	803.030	516.400	337.958	465.708
Costa Rica	(Colon)	322.948	207.670	135.910	187.284
Côte d'Ivoire	(CFA Fr)	803.030	516.400	337.958	465.708
Croatia	(Kuna)	8.4457	5.4329	3.5556	4.8995
Cuba	(Cuban Peso)	1.5551	1	0.6545	0.9018
Cyprus	(Cyprus £)	0.7304	0.4697	0.3074	0.4236
Czech Rep.	(Koruna)	42.6909	27.4530	17.9666	24.7581
Denmark	(Danish Krone)	9.1526	5.8857	3.8519	5.3079
Djibouti Rep	(Djib Fr)	248.816	160.000	104.712	144.294
Dominica	(E Carib $)	4.1988	2.7000	1.7670	2.4350
Dominican Rep	(D Peso)	21.8570	14.0550	9.1989	12.6753
Ecuador	(Sucre)	4973.99o	3198.50	2093.28	2884.52
	(Sucre)	4946.78a	3181.00	2081.81	2868.74
Egypt	(Egyptian £)	5.2874	3.4000	2.2251	3.0662
El Salvador	(Colon)	13.6149	8.7550	5.7297	7.8956
Equat'l Guinea	(CFA Fr)	803.030	516.400	337.958	465.708
Estonia	(Kroon)	19.0085	12.2220	7.9987	11.0222
Ethiopia	(Ethiopian Birr)	9.0156	5.8000	3.7959	5.2307
Falkland Is	(Falk £)	1	0.6431	0.4208	0.5799
Faroe Is	(Danish Krone)	9.1526	5.8857	3.8519	5.3079
Fiji Is	(Fiji $)	2.1872	1.4065	0.9205	1.2684
Finland	(Markka)	7.2552	4.6656	3.0534	4.2076
France	(Fr)	8.0303	5.1640	3.3798	4.6571
Fr. Cty/Africa	(CFA Fr)	803.030	516.400	337.958	465.708
Fr. Guiana	(Local Fr)	8.0303	5.1640	3.3798	4.6571
Fr. Pacific Is	(CFP Fr)	145.580	93.6145	61.2650	84.4249
Gabon	(CFA Fr)	803.030	516.400	337.958	465.708
Gambia	(Dalasi)	15.5178	9.9500	6.4465	8.8831
Germany	(D-Mark)	2.3761	1.5280	1	1.3780
Ghana	(Cedi)	2558.14	1645.00	1076.57	1483.62
Gibraltar	(Gib £)	1	0.6431	0.4208	0.5799
Greece	(Drachma)	372.909	239.805	156.940	216.265
Greenland	(Danish Krone)	9.1526	5.8857	3.8519	5.3079
Grenada	(E Carib $)	4.1988	2.7000	1.7670	2.4350
Guadeloupe	(Local Fr)	8.0303	5.1640	3.3798	4.6571
Guam	(US $)	1.5551	1	0.6545	0.9018
Guatemala	(Quetzal)	9.5252	6.1251	4.0086	5.5238
Guinea	(Fr)	1550.44	997.000	652.487	899.130
Guinea-Bissau	(Peso)	28047.8	18036.0	11803.7	16265.5
Guyana	(Guyanese $)	216.004	138.900	90.9081	125.265
Haiti	(Gourde)	25.1559	16.1760	10.5864	14.5881
Honduras	(Lempira)	18.2102	11.7100	7.6636	10.5605
Hong Kong	(HK $)	12.0377	7.7410	5.0661	[illegible]
Hungary	(Forint)	233.716	150.295	98.3606	135.541
Iceland	(Icelandic Krona)	104.565	67.2400	44.0052	60.6394
India	(Indian Rupee)	54.4289	35.0000	22.9058	31.5642
Indonesia	(Rupiah)	3640.37	2341.00	1532.07	2111.20
Iran	(Rial)	4665.30u	3000.00	1963.35	2705.51
Iraq	(Iraqi Dinar)	0.4835o	[illegible]	0.2035	0.2804
Iraq	(Iraqi Dinar)	1555.10m	1000.00	654.450	901.836
Irish Rep	(Punt)	0.9746	0.6268	0.4102	0.5653
[illegible]	(Shekel)	4.9665	3.1938	2.0902	2.8803
Italy	(Lira)	2382.49	1532.10	1002.68	1381.70
Jamaica	(Jamaican $)	52.8735	34.0000	22.2513	30.6624
Japan	(Yen)	172.432	110.885	72.5687	100
Jordan	(Jordanian Dinar)	1.1037	0.7098	0.4645	0.6401
Kazakhstan	(Tenge)	104.565	67.3000	44.0445	60.6936
Kenya	(Kenya Shilling)	89.0296	57.2500	37.4673	51.6301
Kiribati	(Australian $)	1.9653	1.2638	0.8271	1.1397
Korea North	(Won)	3.3435	2.1500	1.4071	1.9390
Korea South	(Won)	1265.08	813.500	532.395	733.643
Kuwait	(Kuwaiti Dinar)	0.4665	0.3000	0.1963	0.2705
Laos	(New Kip)	1430.69	920.000	602.094	829.689
Latvia	(Lats)	0.8569	0.5509	0.3605	0.4967
Lebanon	(Lebanese £)	2441.43	1570.00	1027.49	1415.88
Lesotho	(Maloti)	6.7436	4.3365	2.8380	3.9108
Liberia	(Liberian $)	1.5551	1	0.6545	0.9018
Libya	(Libyan Dinar)	0.5529	0.3555	0.2327	0.3206
Liechtenstein	(Swiss Fr)	1.9624	1.2619	0.8259	1.1380
Lithuania	(Litas)	6.2204	4.0000	2.6178	3.6073
Luxembourg	(Lux Fr)	48.8947	31.4425	20.5776	28.3560
Macao	(Pataca)	12.4363	7.9972	5.2338	7.2122
Macedonia	(Denar)	59.2464	[illegible]	24.9945	34.3559
Madagascar	(MG Fr)	5909.38	[illegible]	2486.91	3426.67
Madeira	(Port Escudo)	244.050	156.940	102.709	141.534
Malawi	(Kwacha)	23.6642	15.2300	9.9673	13.7350
Malaysia	(Ringgit)	3.8732	2.4907	1.6300	2.2462
Maldive Is	(Rufiya)	18.3036	[illegible]	7.7029	10.6146
Mali Rep	(CFA Fr)	803.030	516.400	337.958	465.708
Malta	(Maltese Lira)	0.5584	0.3590	0.2375	0.3273
Martinique	(Local Fr)	8.0303	5.1640	3.3798	4.6571
Mauritania	(Ouguiya)	215.242	138.410	90.5825	124.823
Mauritius	(Maur Rupee)	31.0544	19.9700	13.0694	18.0096
Mexico	(Mexican Peso)	11.8851	7.6300	4.9935	6.8810
Miquelon	(Local Fr)	8.0303	5.1640	3.3798	4.6571
Moldova	(Leu)	7.2390	4.6550	3.0465	4.1981
Monaco	(French Fr)	8.0303	5.1640	3.3798	4.6571
Mongolia	(Tugrik)	725.719	466.670	305.412	420.860
Montserrat	(E Carib $)	4.1989	2.7000	1.7670	2.4350
Morocco	(Dirham)	13.6487	8.7765	5.7431	7.9140
Mozambique	(Metical)	17324.5	11140.5	7290.90	10046.9
Namibia	(S A Rand)	6.7436	4.3365	2.8380	3.9108
Nauru Is	(Australian $)	1.9653	1.2638	0.8271	[illegible]
Nepal	(Nepalese Rupee)	87.1245	56.0250	36.6658	50.5253
Netherlands	(Guilder)	2.6665	1.7147	1.1218	1.5458
N'nd Antilles	(A/Guilder)	2.7836	1.7900	1.1715	1.6143
New Zealand	(NZ $)	2.2660	1.4571	0.9536	1.3141
Nicaragua	(Gold Cordoba)	13.7159	8.4360	5.5209	7.6079
Niger Rep	(CFA Fr)	803.030	516.400	337.958	465.708
Nigeria	(Naira)	34.2122o	22.0000	14.3979	19.8404
	(Naira)	125.477m	80.6900	52.7081	74.0858
Norway	(Nor. Krone)	10.1396	6.5198	4.2648	5.8759
Oman	(Rial Omani)	0.5988	0.3851	0.2520	0.3473
Pakistan	(Pak. Rupee)	54.5277	35.0649	22.9482	31.6228
Panama	(Balboa)	1.5551	1	0.6545	0.9018
Papua New Guinea	(Kina)	1.9924	1.2812	0.8385	1.1554
Paraguay	(Guarani)	3187.96	2050.00	1341.62	1848.76
Peru	(New Sol)	3.8021	2.4450	1.6001	2.2050
Philippines	(Peso)	40.7190	26.1850	17.1368	23.6146
Pitcairn Is	(£ Sterling)	1	0.6431	0.4208	0.5799
	(NZ $)	2.2660	1.4571	0.9536	1.3141
Poland	(Zloty)	4.2329	2.7220	1.7814	2.4548
Portugal	(Escudo)	244.050	156.940	102.709	141.534
Puerto Rico	(US $)	1.5551	1	0.6545	0.9018
Qatar	(Riyal)	5.6614	3.6405	2.3826	3.2831
Reunion Is. de la	(F Fr)	8.0303	5.1640	3.3798	4.6571
Romania	(Leu)	4774.16	3070.00	[illegible]	2768.63
Russia	(Rouble)	7964.19m	5121.50	3351.77	4618.75
Rwanda	(Fr)	342.122	220.000	143.979	198.404
St Christopher	(E Carib $)	4.1988	2.7000	1.7670	2.4350
St Helena	(£)	1	0.6431	0.4208	0.5799
St Lucia	(E Carib $)	4.1988	2.7000	1.7670	2.4350
St Pierre	(French Fr)	8.0303	5.1640	3.3798	4.6571
St Vincent	(E Carib $)	4.1988	2.7000	1.7670	2.4350
San Marino	(Italian Lira)	2382.49	1532.10	1002.68	1381.70
Sao Tome	(Dobra)	3603.48	2317.20	1516.49	2089.73
Saudi Arabia	(Riyal)	5.8324	3.7505	2.4546	3.3824
Senegal	(CFA Fr)	803.030	516.400	337.958	465.708
Seychelles	(Rupee)	7.7600	4.9900	3.2657	4.5002
Sierra Leone	(Leone)	1329.61	855.000	559.555	771.059
Singapore	($)	2.1989	[illegible]	0.9254	1.2752
Slovakia	(Koruna)	48.2594	31.0340	20.3102	27.9876
Slovenia	(Tolar)	210.126	135.120	88.4298	121.856
Solomon Is	($)	5.5245	3.5525	2.3249	3.2036
Somali Rep	(Shilling)	4074.37	2620.00	[illegible]	2362.81
South Africa	(Rand)	6.7436	4.3365	2.8380	3.9108
Spain	(Peseta)	199.700	128.420	84.0445	115.814
Spanish Ports in N Africa	(Sp Peseta)	199.700	128.420	84.0445	115.814
Sri Lanka	(Rupee)	85.8777	55.2250	36.1420	49.8039
Sudan Rep	(Dinar)	216.139	139.000	90.9686	125.355
Surinam	(Guilder)	637.592	410.000	268.325	369.753
Swaziland	(Lilangeni)	6.7435	4.3365	2.8380	3.9108
Sweden	(Krona)	10.3782	6.6736	4.3669	6.0176
Switzerland	(Fr)	1.9624	1.2619	0.8259	1.1380
Syria	(£)	65.2385	41.9500	27.4542	37.8320
Taiwan	($)	42.8897	27.5580	18.0419	24.8618
Tanzania	(Shilling)	[illegible]	590.000	386.126	532.083
Thailand	(Baht)	39.5255	25.4175	16.6345	22.9224
Togo Rep	(CFA Fr)	803.030	516.400	337.958	465.708
Tonga Is	(Pa'anga)	1.9653	1.2688	0.8271	1.1397
Trinidad/Tobago	($)	8.9185	5.7350	3.7535	5.1720
Tunisia	(Dinar)	[illegible]	0.9781	0.6401	0.8821
Turkey	(Lira)	128975.9	82940.0	54280.1	74798.2
Turks & Caicos	(US $)	1.5551	1	0.6545	0.9018
Tuvalu	(Australian $)	1.9653	1.2638	0.8271	1.1397
Uganda	(New Shilling)	1629.75	1048.00	685.864	945.123
Ukraine	(Karbovanets)	278207.8	178900.0	117081.2	161338.3
U A E	(Dirham)	5.7116	3.6730	2.4038	3.3124
United Kingdom	(£)	1	0.6431	0.4208	0.5799
United States	(US $)	1.5551	1	0.6545	0.9018
Uruguay	(Peso Uruguayo)	12.3164	7.9200	5.1833	7.1425
Vanuatu	(Vatu)	173.730	111.720	73.1152	100.758
Vatican	(Lira)	2382.49	1532.10	1002.68	1381.70
Venezuela	(Bolivar)(2)	730.291v	469.625	307.346	423.524
Vietnam	(Dong)	17131.0	11016.0	7209.42	9934.62
Virgin Is-British	(US $)	1.5551	1	0.6545	0.9018
Virgin Is-US	(US $)	1.5551	1	0.6545	0.9018
Western Samoa	(Tala)	3.8172	2.4546	1.6064	2.2137
Yemen (Rep of)	(Rial)	217.714r	140.000	91.6230	126.257
Yugoslavia	(New Dinar)	7.8299	5.0350	3.2952	4.5407
Zaire Rep	(Zaire)	60196.3	38702.5	25328.9	34903.3
Zambia	(Kwacha)	1967.20	1265.00	827.880	1140.82
Zimbabwe	($)	15.3510	9.8752	6.4648	8.9065

Special Drawing Rights July 5, 1996 Utd Kingdom £0.925167 Utd States $1.44067 Germany DM2.20163 Japan Y158.834 European Currency Unit Rates July 5, 1996 Utd Kingdom £0.807579 Utd States $1.25700 Germany DM1.91755 Japan Y139.187

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Angolan Readjusted Kwanza devalued on 4/3/96. (2) Two tier rate replaced by floating Venezuelan Bolivar 22/4/96; Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times
Friday, July 5, 1996

EMERGING MARKETS By Edward Luce

Philippines back to winning form

The Philippines stock market is back to where it was in January 1994, when it won the distinction of being the fastest growing emerging market over the previous 12 months.

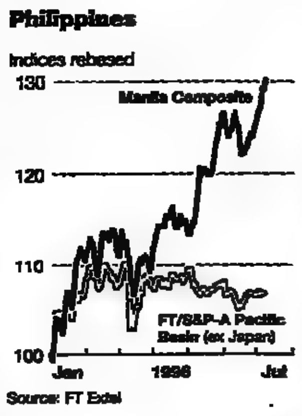
This time the story is not quite so dramatic. Other markets, notably in eastern Europe and Turkey, have grown faster than Manila this year, but the Philippines has convincingly shrugged off two long years of correction.

This week, the Manila composite index overtook its 1994 peak, closing on Friday at 3,374.40, up almost 30 per cent on the beginning of the year and hitting daily volumes of more than 4bn pesos (US$150m). Compared with the 133 per cent growth posted in the stellar days of 1993, this year's upturn is almost tame.

Pessimists, including several foreign fund managers in Manila, say the market could even be nearing the end of its bull run.

On a price/earnings ratio of 23, Manila is more expensive than any other market in south-east Asia and still, despite almost four years of impressive recovery, a riskier bet than most of its neighbours. On a wider scale, there are questions about how much longer the worldwide equities bull run will continue. When New York catches a cold, comparatively tiny bourses such as Manila (with a capitalisation of about US$65bn) develop pneumonia.

Philippines



Source: FT Extel

"Some analysts are predicting that the PSE could hit 4,000 by the end of the year," said Mr Matthew Sutherland, chief researcher at Asia Equity Securities. "But then analysts would say that, wouldn't they? If US interest rates go up by much, the story could be much less rosy."

On a local scale, this scenario would seem unjust. With Philippine inflation likely to drop below double digits over the next two months, and GNP growth topping 6 per cent in the first quarter, the question marks prompted by last year's jitters over the economic recovery seem to be fading.

Another way of gauging the PSE's appeal is the fact that at 25 per cent its average growth in earnings per share in 1996 is still higher than the market's p/e ratio. In south-east Asia, only Thailand can boast a positive, but much smaller, differential between its eps growth and p/e ratio.

International estimates that the Philippines will be the only economy in east Asia (apart from Japan) to see an acceleration of GNP growth over the next two years suggests that corporate profits will continue to grow rapidly.

"There are several things going in the PSE's favour," said Mr Pien Xuan Doe, a senior analyst at Deutsche Morgan Grenfell in Manila. "First, corporate earnings are growing very fast and are set to accelerate further in 1997. Second, the Philippines continues, in our judgment, to be underweighted by international fund managers. A small increase in its weighting could make a big difference."

With a 4 per cent weighting on Morgan Stanley's emerging markets index, and an average of between 2 and 5 per cent of most dedicated Asian portfolios (excluding Japan), the PSE takes only a sliver of emerging market funds.

Roughly 75 per cent of turnover last week – peaking at more than 13bn shares on Wednesday – was accounted for by foreign buying. Minor shifts in overseas sentiment can, therefore, have a dramatic effect on the PSE.

When Philippine inflation jumped from 8.4 per cent to 11.8 per cent last September, foreign buying almost dried up, pushing the composite index down by about 30 per cent by November. Philippine brokers are hoping the reverse will apply as inflation continues to fall over the next few months.

Telebras leads surge in sell-off stock

A rare burst of enthusiasm over Brazil's much-delayed privatisation programme has driven a surge on the country's stock markets. Telebras, the government-controlled telecommunications holding company, is leading the way, with strong support from electricity utilities.

The São Paulo Stock Exchange's Bovespa Index rose more than 17 per cent in the three weeks to last Thursday, before reversing a little with the Dow on Friday, and Telebras's preferred shares climbed more than 23 per cent in the same period. The stock has long been the most liquid on the Bovespa; now, it regularly takes up to 70 per cent of spot volume.

Part of the impetus has come from a series of statements by Mr Sérgio Motta, the communications minister, suggesting that privatisation of telephone services could take place more quickly than expected.

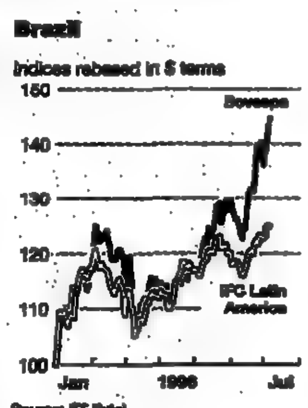
He said concessions to operate cellular telephony could be sold by the end of this year, with conventional services following before 1998.

While many saw this as overly optimistic, the pronouncement underlined confidence that privatisation is now inevitable. Mr Motta's suggestion that tariffs could be increased before the end of the year was also welcomed.

Encouraging signs for the future have been underlined by Telebras's recent performance. After posting record first-quarter results, last week it said that profits in the first five months were R$1.147bn (US$1.142bn); profits for all of 1995 were R$809.5m.

The enthusiasm for Telebras has spread to other "privatisation stocks". Electricity companies benefited from the São Paulo legislature's approval of proposals to sell the state's generation and distribution assets, worth a potential R$20bn, and more good news followed with confirmation that federally-controlled power stations will also be sold.

Brazil



Source: FT Extel

"Electricity stocks have been strong but they have probably already given all they can," said Mr Alberto Alves Sobrinho of Fair Corretora, a São Paulo brokerage. "Telecommunications stocks are the big appeal, that's where the big profits will be. They still have room to rise in the medium to long term."

Analysts say that Telebras's profits could reach R$3bn this year. At R$75.25 per thousand, its preferred shares have already reached the level many earlier predicted for the end of 1996. Nomura Securities said last week that it expected the stock to reach R$100 to R$110 by the end of the year.

While the outlook remains positive, other analysts warn that investors will have to move out of Telebras at some point in the not too distant future.

If the communications ministry keeps its promises, Telebras's assets – its 27 operating companies – will soon be rebundled and sold off. By the time that happens, Telebras will be seen as a lot less attractive.

Jonathan Wheatley

INTERNATIONAL BONDS By Samer Iskandar

Spain and Italy gain from Emu expectations

Convergence was again the dominant theme in European bond markets last week, with bond yields in Italy and Spain again moving in towards German levels. By last Friday, the 10-year yield spreads of Italian and Spanish bonds over German bunds had narrowed to 277 and 228 basis points respectively, from 292 and 231 points one week earlier. On April 1 they stood at 438 and 327 points respectively.

The pressure of investment flows from international investors has been one of the factors behind the recent momentum. Flows from domestic institutions accounted for the reversal in the French-German 10-year yield spread and the narrowness of the 10-year Belgian spread over Germany, but international investors have favoured high yield markets.

According to a quarterly survey by Paribas, multi-currency fund managers increased the weight of bonds denominated in sterling, lire, Ecu, pesetas and Swedish kronor between March and June, while reducing holdings of other international bonds in their portfolios.

In addition, the convergence trend, particularly in Italy and Spain, has been driven by expectations that monetary and fiscal policies are moving in the right direction, thanks to political stability introduced by recent elections, which should allow them to participate in European monetary union.

"The name of the game so far this year has been to judge which countries are likely to meet the criteria [set out in the Maastricht Treaty] and look for spread narrowing associated with the future removal of currency risk," economists at Yamaichi said recently.

Although most economists believe the convergence of Italian and Spanish bond markets, the star performers since the beginning of the year, has run most of its course, there appears to be a consensus that yield spreads over bunds still have room to tighten by another 25 to 30 basis points.

This view was reinforced by Friday's release of Italian inflation data showing consumer prices had risen by 3.9 per cent in June, just under the 4 per cent level considered to be the central bank's target for easing official interest rates.

While the market was surprised by the Bank of Italy's inaction on Friday, observers felt increasingly confident of monetary easing in the near future. The Bank of Italy "will not want to be held responsible for ... plunging the economy into another near-term recession", said economists at Bear Stearns.

"An increasing number of investors believe there is no reason why the Bank of Italy cannot ease policy," bond analysts at UBS said on Friday.

Mr Nigel Richardson, head of bond research at Yamaichi in London, attributes the recent spread tightening to "simple economic convergence". He believes 10-year spreads over bunds of 200 and 250 basis points for Spain and Italy respectively would faithfully reflect the credit, currency and inflation risks associated with both countries, as well as a liquidity premium over the bund market.

However, he added: "Italy is currently on a knife-edge". Political instability will make the three-year fiscal plan difficult to pass in parliament, which could cause some market instability.

Interest rate expectations were only partly responsible for the Italian rally. Promises of an early re-entry into the Exchange Rate Mechanism were another favourable factor, as well as the belief that both Italy and Spain were likely to participate in Emu from the outset. But the market needs new evidence of tangible economic progress before allowing further Italian yield convergence.

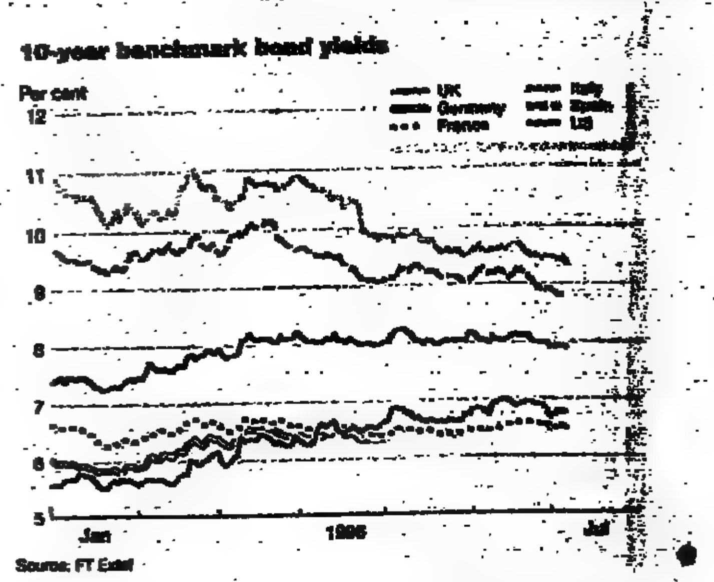
Yamaichi says the chances of Spanish and Italian participation in Emu in the first round (starting in 1999) are very slim, because both are "likely to overshoot the 3 per cent target" on the ratio of budget deficit to GDP.

However, although most investors are aware that the recently best-performing markets offer little scope for further substantial gains, they are unlikely to take profits before new promising sectors emerge. Thus banks and investment houses are on the look-out for the future winning trades.

"From a risk/reward perspective, Italian and Finnish bonds offer the best value", Mr Richardson said. The Irish gilt spread over bunds, at more than 80 basis points, could tighten to as little as 30 points in the next 12 months, says Yamaichi.

Given that Ireland is on course to meet the Maastricht criteria, the only risk is that it opt out of Emu for political reasons. Finnish bonds appear to have similar potential – the only remaining requirement for Finland to qualify for Emu is for it to join the ERM.

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	4.90[1]	9.00	[illegible]
Overnight	5.25	0.50	3.25	3.62	9.00	[illegible]
Three month	5.32	0.56	3.34	3.81	8.51	[illegible]
One year	5.96	1.00	3.65	4.10	8.14	[illegible]
Five year	6.81	2.38	5.50	5.69	8.71	[illegible]
Ten year	7.04	3.27	6.61	6.60	9.32	[illegible]

(1) France-Repo rate (2) UK Base rate. Source: Reuters

COUNTDOWN TO 1997 EU BUDGETS

Country	Budget discussions*	Announcement	Budget enacted by**
Germany	Already under way	Early July	End-November
France	Already under way	Mid-September	December
Netherlands	From August	Mid-September	End-November
Belgium	Already under way	By end-July	Mid-October (by decree)
Austria	n/a	n/a	Passed in April 1996
Ireland	From summer	January 1997	Q1
UK	From summer	End-November	By April 1997
Denmark	Already under way	August	Mid-December
Finland	From summer	September	October/November
Sweden	Already under way	By end-September	End-December
Italy	Already under way	By end-September	End-December
Spain	During the summer	By October 1.	End-December
Portugal	During the summer	By October 15	End-December

*Internal government discussions ** Likely case

Source: Yamaichi

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
IRSA(a)§	80	Jul 2003	(a)‡	100.0		-	Deutsche Morgan G'fell
[illegible]	75	Jul 2003	(b)	99.29	11.14	400(9%-99)	ING Barings
Transtexas	[illegible]	Jul 1999	9.63	100.00R	9.625	(c)	CSFB/Bk Boston/ING Bg
Republic of China§	300	Jul 2006	7.75	99.4R	-	110(6¾%-06)	CSFB/Mrgn Stnly
Westpac Banking Corp‡	500	Jul 1997	(d)	99.98	-	-	HSBC Markets
J. Sainsbury(e)§	200	Dec 1999	6.63	99.88	-	+25(6¼%-99)	Goldman Sachs Intl.
City of Rio de Janeiro§	125	Jul 1999	10.38	99.96	10.39	400(5⅞%-99)	Merrill Lynch
BCE	100	Jul 1998	8.50	93.6R	8.565	240(6¼%-98)	UBS
Swedbank(e)§	150	Jul 2006	(e)	99.78	-	-	SBC Warburg
Banco AGF Braseg	[illegible]	[illegible]	10.00	99.9R	10.04	360(6¼%-99)	Soc Gen
D-MARKS							
DSL Finance(f)(e)	250	Jan 2001	5.37	98.6R	5.695	+25(f)(1/6)	Goldman Sachs
Discover Card Mstr Trust‡	1.25bn	Jul 1999	(h)	100.0R	-	-	Merrill Lynch
BCP Venezuela Invstmnt(§)	160	Dec 2007	9.25	100.0R	-	-	CSFB Effectenbank
YEN							
Den Danske Bank(a)(i)	3bn	May 2000	2.25	100.20	-	-	Yamaichi Intl Europe
Fortis Holland(a)	2bn	Jul 2001	0.50	99.57	2.76	-	Tokai Bank Europe
World Bank	30bn	Jul 1998	5.00	100.00	6.00	-	Merrill/Sanyo/Sumitomo
Japan Energy Corp.(j)(k)	10bn	Aug 2000	3.50	100.35	-	-	DKB International
SWISS FRANCS							
Dainippon Screen(j)§	100	Sep 2000	0.25	100.00	-	-	SBC Warburg
Landesgirokasse	150	Jul 1998	4.75	103.5	4.312	-	Credit Suisse
DePfa(m)	150	Dec 1999	3.50	101.3	-	-	Credit Suisse/UBS
Zellweger Luwa	60	Aug 2002	4.63	101.4	-	-	Credit Suisse
STERLING							
[illegible]	200	Dec 2006	0.38	99.7R	8.818	+74(7½%-06)	JP Morgan
[illegible]	134m	Mar 2006	9.12	102.6	-	+87(8¾%-17)	SBC Warburg
Railtrack Ptcs) # 2	100m	Mar 2016	9.82	102.9	-	+60(7½%-06)	SBC Warburg
GUILDERS							
Depfa Finance(s)	200	Dec 2002	6.00	99.7R	-	+30(6¾%-02)	ABN Amro Hre Gdt
Dresdner Finance	250	Aug 2001	5.62	99.6R	5.713	+10(l)	ABN Amro Hre Gdt
FRENCH FRANCS							
Comptoir Assurance d.Auction(s)	650	Dec 2003	6.25	98.6R	6.482	+27(l)	Paribas
CCCI‡	1.5bn	Jul 1999	(n)	100.1R	-	-	CCF
LUXEMBOURG FRANCS							
Deutsche Finance Ntrlnds	2bn	Aug 2006	6.50	101.95	6.232	-	BGL/Generale Bk
Kredietbank Luxembourg	2bn	Aug 2003	(r)	102.35	6.05	-	Kredietbank Lux
ITALIAN LIRE							
Parmalat Finance‡	500bn	Jul 2001	(s)	100.0R	-	-	Chase/Cred Ital
Cariplo(t)	250bn	Jul 2008	zero	40.84	-	-	Cariplo
LW Rentenbank	250bn	Aug 2000	8.25	101.3R	7.886	-	BCI/MS Lux/JP Mgn
NordLB	200bn	Aug 1999	8.13	101.20	7.593	-	Bear Stearns/Bil Lux
AUSTRALIAN DOLLARS							
[illegible]	250	Jul 1999	7.80	98.95	7.878	-	Yamaichi Intl/Eur
ECU							
Credit Local(s)	55	Aug 2002	(u)	101.7	4.875	-	Kredietbank
Credit Local(t)(s)	45	Dec 1999	5.25	99.3R	-	(f1)	Morgan Stanley
PESETAS							
KFW Intl. Finance	10bn	Aug 2000	7.37	100.00	7.375	-	JP Morgan/AB
Swedish Export Crdt Corp	10bn	Aug 2001	7.75	100.12	7.721	-	[illegible]
CANADIAN DOLLARS							
WestLB Finance	100	Jul 2001	7.25	100.1R	7.225	+10(7½%-01)	CIBC Wood Gndy/WestLB
SOUTH AFRICAN RAND							
Deutsche Bk Fin Curacao	200	Aug 2001	14.00	101.44	13.59	-	Deutsche Morgan G'fell
World Bank	[illegible]	[illegible]	[illegible]	101.38	13.04	-	Nedtrus Bank
CZECH KORUNA							
Intl Fin Corp.	1.5bn	Jul 1998	11.00	100.0R	11.00	-	ING Barings
EIB	1.5bn	Jul 1999	10.75	101.33	10.62	-	Wood Commerz
DANISH KRONER							
LB Schleswig-Holstein	200	Jul 1999	5.83	100.00	5.535	-	Merrill Lynch
FINNISH MARKKA							
Nordic Investment Bk	300	Jul 2001	6.15	101.78	5.728	-	Handelsbnk Mkts
SWEDISH KRONOR							
Exportfinans(Norway)	600	Aug 2001	7.50	101.41	7.155	-	Svenska Handelsbanken
TNICC	500	Aug 2001	7.50	101.42	7.152	-	Deutsche Morgan G'fell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. §Semi-annual coupon and yield. R: fixed re-offer price. a) Conversion price: $30.00. Callable after 4 yrs subject to 145% ADR hurdle. Puttable in 4 yrs at approx 123.7% subject to ADRs not exceeding knock-out level. Greenshoe: $12m. a1) 4½-4¾. b) 6% for 1st 5yrs, 11½% for next two years, 11¾% thereafter. c) +325-337.5bp(6⅝%-99). d) Fungible with Dm500m launched 29/5. e) 5% 1st 3yrs, 6% thereafter. f) +0.232(5%-99). g) FX89.1Y. conv price: 9747. h)11% 1st 5yrs, 11½% next 2yrs, 11¾% thereafter. j) 3-mth Libor +10bp. k) 3-mth Libor +7bp. m) Fungible with SFr400m. Plus 120 days accrued interest. n) Originally launched Dec 93 at FFr1.3bn. q) 6-mth Libor +60bp. r) 6% 1st 3yrs; 8% thereafter. t) Added to Nov95 issue. u) 3-mth Pibor -5bp 1st-yr, 3-mth Pibor +10bp for 2nd-yr, 3-mth Pibor +20bp for 3rd yr. l) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon. Note: Yield

WORLD COAL INDUSTRY

The stuff we still need to burn

Coal is the biggest commodity traded by sea, while the Asian market is now setting the pace in the growth of international trade, writes Gerard McCloskey

For many outsiders, the vitality and growth of the international coal industry are extraordinary.

Coal is a commodity for which demand appears to rise inexorably each year. It is now by far the largest bulk commodity traded by sea, well exceeding the former dominant bulk cargoes of grain and iron ore.

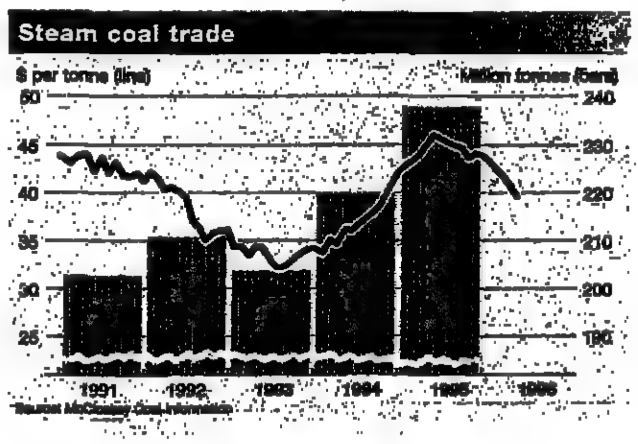
Although the future of the coking coal trade appears to be fairly static, that for steam coal is a vista of sustained growth as far ahead as any forecasters can see. A dot on the commodities landscape two decades ago (just 19m tonnes was traded in 1973, the year of the first oil shock), last year 245m tonnes were shipped. The figure looks likely to hit 320m tonnes by 2000 and could rise by 180m tonnes in the first decade of the next century.

The business is increasingly attracting the attention of large multinationals seeking to develop coal reserves, particularly in South America, Indonesia and Australia.

What continues to attract the attention of this relatively small group – dominated by Peabody, Amcoal, Shell, Cyprus Amax, Ingwe, RTZ and BHP Utah – is a combination of a growing market along with the skills these companies have assembled in surviving the very low prices the coal markets saw in the late 1980s and early 1990s. These bleak years saw the departure in a great rush of many companies which had flocked to coal in the late 1970s and early 1980s, seduced by their belief in very high returns.

Many of the companies which dashed out of the industry almost as recklessly as they dashed in were the oil majors – Occidental, Agip and, despite a portfolio of high quality coal properties around the world, BP. Those that have remained, most notably Exxon, Shell and Arco, have learned that to achieve success it is a matter of small profit margins being made on high tonnages that wins the prize.

Few have the illusion that prices will make a strong recovery after the rise in contract settlements of the last two years. As much emphasis is placed upon cutting costs through productivity gains as hammering out price rises.



This has been much easier to achieve in the new industries of South America and Indonesia than, with a few notable exceptions, in Australia.

In most countries, coal is seen merely as a commodity to be extracted and marketed or as an energy source. This was not always the case and for many countries coal was as much an industrial relations and employment headache as it was an energy asset.

Among the big coal exporting nations, in Australia alone, notably with the defeat of the Labour government, industrial relations issues are to the fore both in the mines and on the waterfront in the coal ports. And it is Australia which not only dominates the market for both coking and steam coals but will increasingly do so over the next decade and a half.

In some of the old coal mining industries of Europe, too, employment and industrial relations issues still dominate decision-making. In Spain, Poland and Russia, concerns over the ability of local economies to absorb full industry rationalisation have dampened pressure on mine closures and redundancies.

The Spanish government, where employment levels are well in excess of 20 per cent nationally, has agreed a programme with the EU Commission to wind down subsidies and close the bulk of production.

In Poland a restructuring programme will see little reduction in output – Mr Jerzy Markowski, the mining minister, proposes that 80,000 jobs are removed from the industry over the next five years and output reduced by 15m tonnes to 120m tonnes. As a means of maximising productivity to give Poland a low-priced fuel, this hardly scratches the surface. But, as a means of softening the impact of rationalisation on the Silurian-based industry, it is likely to prove acceptable to the mining unions.

Asfordby mine, near Melton Mowbray in Leicestershire: huge reserves of low sulphur coal (See: City must mine deeper, page II)

However, by far the most expensive and enduring safety net is that woven by the German government to support its deeply loss-making industry. Each year some $7.5bn is spent to sustain 53m tonnes of annual production. In coal industry terms this immense sum could easily buy the whole of Australia's coal exporting industry – mines, railroads and ports; and do so every year.

Until now, with little EU trade in coal, such a subsidy has irritated Brussels but not been anti-competitive. Two events may challenge this placid situation: in 1998 UK demand for coal is likely to slump with the ending of the old British Coal five-year contracts to the power generators.

This will face RJB Mining with a choice of being forced to close mines or of finding new markets – and the subsidised German market is there for the picking. Two years later Poland hopes to join the EU with a vast and potentially profitable reserve of both coking and steam coal lying just over the border from Germany.

A few years ago many exporters felt that the decline of production in the old European industries would provide a solid foundation for their business, low-sulphur, low-cost coal from South African and Colombia displacing high sulphur, high-priced British, German and Spanish coals.

For a variety of reasons – probably most importantly the availability of large volumes of cheap gas – this has not happened and it will not happen to anything like the extent that the exporters had hoped. But if the European market has proved a disappointment, growth in Asian demand has been astonishing.

Largely driven by the construction of modern, efficient, environmentally advanced power stations in Japan, South Korea and Taiwan, the Asian market has expanded at a pace which the producers have barely been able to match.

Taiwan Power Corporation is now the world's largest importer of steam coal taking 18m tonnes this year, easily more than the consumption of Europe's two biggest importers, Italy's ENEL and GKE of the Netherlands.

Korean Electric is not far behind Taipower and the combined might of the nine regional Japanese power companies and the government-owned Electric Power Development Corporation account for the bulk of Japan's 50m tonnes of annual steam coal imports. In the electric sector, this is expected to rise by 32m tonnes to the end of the century.

As the Asian Tigers lead, so the rest of the region is following. In India and China imports supplement the efforts of expanding output by the state-owned coal producers to try to keep pace with booming demand for electricity. In China, the Philippines and Malaysia power plant dedicated wholly or in part to imports have been constructed and virtually every Asian country has a series of private power projects at advanced stages of realisation.

Even in Japan, Taiwan and South Korea, coal burning private power stations will be added to the already very substantial expansion plans of the state-owned power utilities.

Why do all the Asian countries opt for imported coal when the European countries are so diffident? Apart from the fact that cheap gas is not so plentiful in Asia, most of the continent's power companies face growth in demand that is almost beyond their ability to satisfy.

With limited energy resources of their own (Indonesia, India and China are the only exceptions) they simply need all the fuel sources they can get their hands on. But more than anything else, it is the nature of the coal market and its performance over the past two decades that proves so irresistible to these power companies.

Coal is available from a very large number of suppliers competing among themselves with exports available from 10 countries. No cartel exists or is threatened. No paper market or futures markets gives false instability to coal pricing. Coal is a plentiful and cheap fuel and productivity gains reaped by the producers seem to have a way of falling to the buyers' benefit in lower prices, rather than the coal producers' gain in higher profitability.

In the past two years, the divergence of the European market's needs from those of Asia has in effect created two markets. Spot purchases are virtually non-existent in Asia with only Taipower making regular incursions with frequent spot tenders; in Europe almost all the power buy spot, some of them (National Power, for example) only spot; in Asia only low sulphur coal is purchased while, outside Italy and Spain, high sulphur US coals are a regular part of buyers' purchases.

Unfortunately for the exporting producers, the Asian buyers want suppliers to match the low price levels that the Europeans achieve, despite the fact that supply security is much more important in Asia and despite the fine balance in Asian demand and supply.

Over the next few years these pressures will become more intense. Very large volumes – possibly 45m-50m tonnes – of additional Colombian and Venezuelan coal are likely to come onto the market from big new export projects, all with a natural market in Europe. In addition, more US mid- and high-sulphur coals will become available to the Europeans, as will increased South African production.

Of these, only the South African tonnage can as easily reach the Asian buyers.

Somehow, the coal exporters have to find a way of translating the prospect of ever-increasing world demand for their product into a degree of prosperity. It has not been a trick that they have performed, however, for more than a few of the past 20 years.

Australia: by Bruce Jacques

High turnover, low returns

Producers of good quality coal will benefit from the new premium pricing system

Outwardly, Australia's coal industry has all the swagger of an international high achiever. Customers and competitors can marvel at the world's biggest coal export machine, accounting for about a third of the world's traded market with annual shipments running at about 140m tonnes, worth almost US$7bn this year.

But these impressive international numbers have failed to produce commensurate investment returns. "Profitless prosperity" has become a favourite phrase of industry lobbyists pleading their case to governments, mineworkers and environmentalists.

They have a point. A combination of high labour costs, government imposts and falling real export prices have ensured that the industry's investors receive only a fraction of its gross earnings. The most recent survey – based on the state of New South Wales which accounts for about half the nation's coal exports – indicated that shareholders received earnings of A$1.45 for each tonne of coal produced in 1994-95, representing a miserly return of just 0.14 per cent on invested funds.

That compared with government revenue of A$12.43 a tonne and labour costs totalling A$10.39 a tonne. Even weighting these numbers for the company-sponsored nature of the survey, they suggest an enterprise based on functions that are more social than profit-oriented. In this sense, the industry is a prisoner of its unique history: coal was the first recorded export of a shaky new Australian colony nearly 200 years ago.

A kind of resources jingoism sees the industry's marketing performance as a national virility test. This was epitomised in 1994 when mineworkers staged lengthy strikes, not over their pay and conditions, but in protest at export price cuts accepted by leading coking coal producers in annual contract negotiations with their biggest customers, the Japanese steel mills. As a result, the Australian government was forced to set up an inquiry into the industry's performance.

With all this strife, it is a valid question why local companies, along with some of the world's major commodities houses, continue to invest in the industry. The short answer is they are drawn by some of the world's best coal reserves, much of them exploitable by open-cast methods, located close to ports with favourable freight rates to the world's fastest growing coal markets in Asia.

This combination of natural advantages, with some careful stroking by customers, has led many mine owners to be more conscious of tonnage than profits. Marketing strategy has tended to involve bidding low enough to win and hold markets against competitors, then trying to produce the required tonnage while holding down costs to profitable levels.

Nevertheless, the industry has for years told customers that prices are too low to justify sufficient investment to satisfy future demand. However, the surfeit of supply looks like continuing.

The Australian government's commodities forecasting arm, Abare, estimates that about 24m tonnes of new coal capacity is set to come on stream in the next 18 months. More difficult geological conditions will make much of this new capacity expensive by past standards, while turnaround times for ships have doubled at the port of Newcastle in New South Wales in recent months and queues of more than 20 ships have not been uncommon.

This new capacity, with an emphasis on soft coking and thermal coal types, has been encouraged by a turnaround in contract pricing in 1995 after nearly half a decade of cuts. While real prices have fallen inexorably over the past two decades, short-term returns for Australian coal have been improved overall by the past two contract rounds. The 1995 round saw benchmark price increases of more than 8 per cent for coking coal and around 17 per cent for thermal coal.

Although 1996 prices were more mixed, the deals struck then have done considerably more to shape the future of the industry. They marked the first significant change to the price-setting function since the industry's emergence in the 1960s.

The influential Japanese steel mills, for the first time moved away from a system which in effect averaged coal prices, with minor adjustments for quality, to a regime that pays premium prices for high quality coals (up to US$54.50 a tonne), with commensurate discounts for lower qualities (around US$41 a tonne for semi-soft).

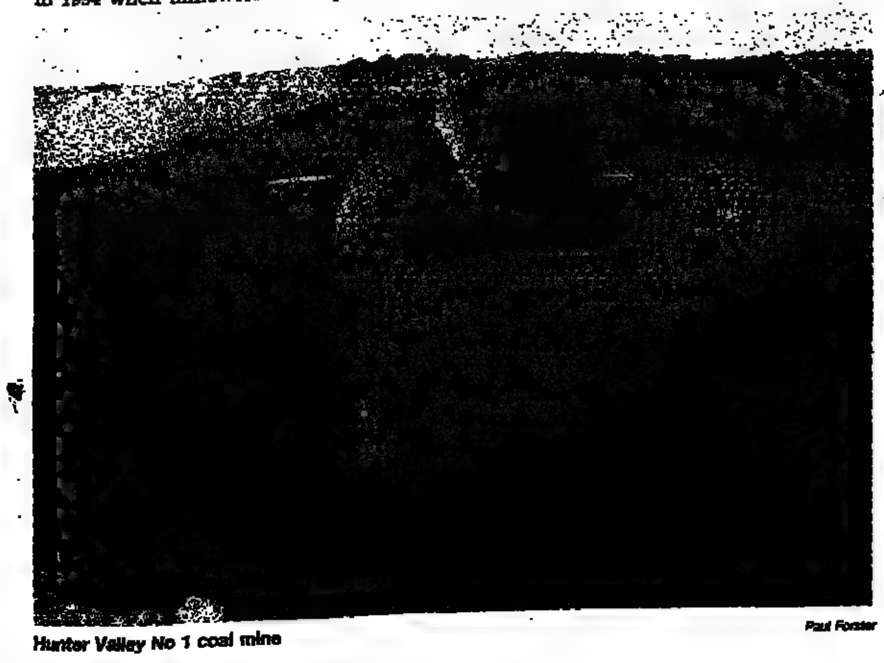
While this system will benefit high quality producers, it is unlikely to raise the industry's average coking coal prices. The pricing outlook for thermal coal is similarly subdued, but for slightly different reasons. Japan's electric utilities agreed to roll over benchmark pricing at US$40.30 a tonne in the 1996 round. But they have in effect cut prices by insisting on tonnage options (usually between 10 and 20 per cent of base contract tonnage) at discounted prices. They have also begun sourcing more coal from spot markets. A recent tender from Tohoku Electric was ominous, winning tonnage at better than US$6 off the benchmark price.

This strategy is expected to reduce average thermal coal prices by around US$1.20 a tonne this year, a salient figure for the Australian industry because the bulk of growth in future demand will be in thermal coal. Most forecasts are for static world coking coal demand well beyond 2000. But extensive development of coal-fired power stations in the Asian region ensures continued growth in thermal coal demand.

According to Abare, total saleable Australian coal production will grow almost 4 per cent in 1996-97 to 205m tonnes, with exports rising by 8 per cent to almost 150m tonnes. Almost all this export increase is forecast to come from thermal coal, up from 63m to 73m tonnes, with coking exports little better than static at 77m tonnes.

Apart from infrastructure, which is beginning to develop some bottlenecks, the major threat to this scenario is a difficult industrial relations climate. Skirmishes so far have mainly involved operations run by the Anglo-Australian RTZ-CRA group, which is attempting to impose individual work contracts instead of the prevailing union award system.

The other main worry for the industry is the strength of the Australian currency, which has appreciated by more than 10 per cent against the US dollar since 1996-97 contract prices were agreed. If maintained over a full contract year, this could render around half the industry's export production unprofitable. The result will likely be a fresh spate of corporate activity and rationalisation.



Hunter Valley No 1 coal mine Paul Forster

UK coal: by David Price

City must mine deeper

Only 18 months since privatisation, industry and City still need to learn about each other

After almost 50 years of stability, the UK coal industry is undergoing enormous change. On January 1 1995 it experienced the shock of privatisation during a time of steady market decline. Under the new regime, the financial institutions and coal are still learning about each other, but the decline looks set to continue.

The City needs to learn a great deal more than it currently knows about the economics of mining and selling coal, while the new industry has a long way to go before it will feel comfortable dealing with the money-men.

From nationalisation in the late 1940s the City ignored the coal sector which, only four years ago, had just one publicly quoted company, NSM, and was dominated by a state-owned corporation. There are now six PLCs, including one in administration. More are in the pipeline.

The six PLCs are Consolidated Coal, NSM, RJB Mining, Rackwood Mineral Holdings, Waverley Mining Finance and, in administration, Coal Investments. Waiting in the wings for future flotations are several companies which have used venture capital to get themselves going. These are British Fuels, Celtic Energy, Coal Products and Mining Scotland. Also worth watching are Hatfield Coal and PD Fuels, the former with a steady mining business at an ex-British Coal colliery and the latter a recent buy-out that stands third in the domestic fuels distributive trades.

The latest arrival via the venture capitalist's beneficence is Midlands Mining, which has bought two of the Coal Investments pits and will presumably hope eventually to gain a quotation on the market. The industry's fairy story company, Goitre Tower Anthracite in South Wales, which was bought by its workforce, looks set to remain a haven of co-operative ownership.

The established companies are dominated by RJB Mining, the one company that can say that privatisation was a success. Last year it mined 37m tonnes, 71 per cent of UK production. For City analysts the statistics speak of an almost inexorable rise in share values.

RJB bought itself out from A.F. Budge in spring 1992 paying, with the help of venture capital, around £100m. Within a year it was preparing a flotation at 250p a share, thus valuing the company at £103m. Since RJB's successful takeover of the English mining companies in October 1994, the shares have almost doubled from a float price of 330p to a market valuation not far short of £1bn.

RJB's success contrasts starkly with the disastrous chain of events that has overtaken Coal Investments, which is now in administration and being broken up. Though the company never made a profit, things started brightly for CI in 1993. In the next year the share price outperformed the stock market, climbing from an initial 10p launch price to a pre-privatisation 145p. However, while the stock exchange lapped up the bullish reports emanating from CI, the company had substantial outgoings and limited assets.

> RJB is being forced into the position of swing supplier

Its failure to secure a British Coal mining region saw the beginning of a long decline, with money lost on failed mining equipment at Markham Main colliery and expensive changes to mine plans undertaken at Hem Heath. With further rights issues coming, each time to fund developments at mines or acquisitions, but still only the promise of profits, the City's goodwill began to dry up. When CI sought working capital last summer, the share price began to slide. The company went into administration in early February and is now being broken up.

The huge difference in fortune experienced by investors in RJB and CI shares demonstrates that the City still has much to learn about coal. Mining and selling the product is an expensive business, which makes big demands on capital and has high maintenance costs. Any stoppage to the flow of coal from a pit turns it into a huge drain on resources. CI, for example, turned to the banks after an equipment failure at Markham Main left it with just two of its six mines performing to expectations.

RJB is cushioned from mining problems by the size of its portfolio. With 19 pits, the company can make up shortfalls at one colliery by increasing output elsewhere. Its response to problems at Asfordby was to make up the production shortfall from its Yorkshire mines. Given Asfordby's huge reserves of low sulphur coal, this was an illuminating demonstration of RJB's strength. Its weakness is that it is so heavily committed to one market, the electricity supply industry. Nevertheless, it receives high prices under its long-term supply contract with National Power and PowerGen.

RJB's test comes after 1998. Last year the electricity supply industry burned more coal than expected at around 54m tonnes, boosting RJB's results in the process. However, its long-term contracts, which were brokered by the government in 1993, will last only until March 31 1998 and the company has yet to begin serious negotiations on their renewal. The value of these contracts equates roughly to £1.50 a Gigajoule. But business being settled now by other mining companies is realising around £1.20/GJ at the pit.

RJB is committed to an objective of securing £1.25/GJ in October 1994 money. In the negotiations, however, neither side can have much of an idea of how much product will be needed or at what price. From April 1998, even the generators can have only an uncertain idea of their demand. This is because the electricity industry privatisation will be completed on April 1 1998, with the opening up of the franchise market. Ordinary domestic customers will be able to pick and choose between electricity distributors. Because regional electricity companies will have no certainty about the size of their individual markets, they will be unable themselves to commit to electricity purchases from the generators.

In addition, the first wave of new gas stations, currently under construction, will have been completed by 1998, with a second on the way from 1998 to 2000. Whatever the arguments about power production costs, and there is evidence that the new stations – primarily sponsored by the RECs – will produce electricity at higher costs than the current coal stations; they will run because their gas purchase agreements say that they must.

The age of big volume long-term coal supply contracts looks to have ended because of uncertainties about the market beyond 1998. The only companies getting long-term business have been the smaller producers. Both National Power and PowerGen have been quietly fixing up deals to 2000 and beyond with the small UK mining companies, the latest being PowerGen's contract with Midland Mining to buy 9m tonnes over the next five years. A conservative estimate of the amount of coal already tied up beyond 1998 would be 3-4m tonnes, with volumes going to smaller companies such as NSM and Rackwood, plus private mining companies Clay Colliery and HJ Banks. There is also business being tied up directly, or indirectly through the grid, from Scotland and South Wales which would boost the total to at least 6mt/yr.

With imports also likely to play a strong role after 1998, particularly to serve southern power stations, RJB is being forced into the position of swing supplier to a market that could be between 25m t/yr and 35mt/yr. Last year RJB sold 42mt, including 5mt of stocks, of which about 36mt was for electricity supply.

Meanwhile, the other companies to inherit bits of British Coal have taken it more cautiously. Celtic Energy and Scottish Coal soon discovered that life without state backing would be tough. Scottish hit big problems at its Longannet mine, while Celtic had to bear the loss of a large chunk of its premium product sales.

Although Longannet's main face is now one of the top producers in the UK, it is still absorbing investment capital as Scottish develops new reserves. The company's profits next month are expected to be above a recently reported £3m from £120m turnover, but not by much. The new developments must work to cut mining costs to a point at least below £1.25/GJ, which is acceptable to Scottish Power, Longannet's only market.

Even so, Longannet still needs the support of Scottish opencast, which sweetens the product by offering a lower cost and higher heat value coal to mix with it. In opencast mining both Scottish and Celtic have financial and environmental problems. Celtic has had to cope with protesters at sites in West Wales. The financial question marks have been accentuated for Scottish by losses at Longannet and the problems of Coal Investments, one of its major shareholders.

The main financial problem is that the perceived creditworthiness of the two companies has been affected by privatisation. Traditionally, BC worked opencast sites by contracting in specialist companies such as Crouch Mining and NSM. Contract opencast miners tie up large amounts of capital to work a site, in plant to work it and in long-term site restoration finance. This was not a problem in pre-privatisation days because state backing was seen as ensuring that long-term commitments would be met. That belief proved naive when the government sold BC with its long-term commitments and without offering any failsafe to contractors as business moved to the new buyers.

Under the new regime, the contractors are being asked to accept that the privatised company will be able to pay on completion of projects that could be 15 years away. Not surprisingly, they have put up their rates to finance such positions.

David Price is editor of Coal UK

Who's who in UK coal mining

Company	Operation	Tonnage
RJB Mining	19 mines plus opencast	37.2
Scottish Coal	Longannet plus opencast	5.0
Celtic Energy	Opencast	2.3
Midland Mining	Annesley, Silverdale	2.2
NSM Pentreclwydau	development + opencast	1.6
Rackwood	opencast	0.5
Hatfield	colliery	0.4
Goitre Tower	Anthracite Tower colliery	0.4
Consolidated Coal	Aberpergwm development, plus opencast	0.1
Others	small drifts/opencast	2-3

Source: Coal UK

Prospects after privatisation: by Martin Daniel

Principle of private power

How the sell-off of coal-fired power generation will have an impact on financing

Coal accounts for two out of every five units of electricity generated in the world today – double the share contributed by any other single fuel. Because of this, the success of the global move to private power provision will depend on the successful privatisation of coal-fired power generation in many countries.

Conversely, power privatisation will have a fundamental impact on the ownership and purchasing practices of coal-using facilities in the power sector, by far the biggest single world market for coal. New owners and purchasing patterns have already appeared – the harbingers of even more fundamental changes as the global privatisation of the electricity sector spreads and deepens.

The speed and extent of this spread should not be underestimated. Over the past five years the privatisation process has snowballed, with countries in virtually every corner of the world embracing the principle of private power.

Power privatisation embraces two distinct elements – the sale of existing electricity assets and the construction of new (or greenfield) facilities. Some of the most high-profile sell-offs in recent months have involved coal-fired power plants.

These include the fiercely contested competition to win the 1,450 megawatt (MW) brown coal-fired plant at Yallourn in the Australian state of Victoria. The power plant and mine complex were sold to a consortium led by the UK's PowerGen. A similar 1,600MW complex at Hazelwood a few miles away will be sold in August.

Also sold recently was the 614MW Tocopilla plant in Chile, which went to a consortium including Belgium's Powerfin and Spain's Iberdrola. Other privatisations proposed this year include the sale of several coal-fired plants in South Africa, the Tasajero power station in Colombia, and the Calaca and Masinloc plants in the Philippines.

The sale of existing capacity to the private sector can have a substantial impact on the way that the operation procures its coal, and even on its continued use of coal as against other fuels. However, the private ownership of new capacity will have more far-reaching effects. The amount of greenfield capacity will be much greater, and its financing and location will be different to that of existing coal-fired plants.

The key difference between state and private ownership of new capacity relates to its financing. Most private developers prefer to fund new plants through limited or non-recourse project financing. In other words, lenders to the project have little or no recourse to the balance sheet of the developer. The repayment of their capital and interest is dependent on the revenue stream provided by the sale of power from the plant once it enters operation.

This in turn means that the lenders to a project must ensure that any risk to their repayments is fully mitigated. In particular, the power purchaser must be creditworthy, the technology used should be tried and tested, and the fuel supply should be secured both in terms of its sourcing and transportation.

As a result of the latter concern, many of the first financed coal projects were energy conversion agreements. In other words, the power purchaser would buy the fuel for the plant directly themselves. The developer merely converted the coal into power.

However, governments are increasingly demanding that the fuel purchase risk should be taken by the plant developer. Should lack of fuel mean that the plant does not produce power then the plant, and its lenders, will not get paid.

This point is particularly important given that some 60 per cent of the lifetime cost of a typical coal-fired project relates to the fuel supply. Lenders to projects have thus displayed a caution over the security of coal supplies much greater than that required by most state-owned utilities. The coal reserves required over the plant's life have in some cases been literally staked out on the ground, and strict priority may be required over the use of the transportation system needed to supply the plant. In addition, stocking levels may be required at a much higher level – commonly 120 days – than normal.

Coal suppliers have thus entered territory where they can secure long-term contracts for at least as long as the debt financing of the plant lasts, which is typically up to 15 years. Moreover, these contracts can involve substantial volumes. Having too many suppliers for a plant is impracticable, given that the cost of assessing the viability of each coal producer is substantial, although relying on only one supplier is equally prone to worry lenders.

> Coal producers are being asked to shoulder a new risk

That is the upside for coal producers. The downside is that governments are increasingly asking for dispatchability – in other words calling on the plant to supply power when they require it rather than guaranteeing take-or-pay terms for the power. In turn, power plant developers are asking coal producers to shoulder this risk. The producer must guarantee to supply coal if called on, but is not guaranteed payment for coal not required. Compounding this uncertainty is the fact that the coal price is commonly based on what may be arcane, misleading or in one case non-existent price indices.

Such concerns have nevertheless failed to dampen the enthusiasm of both coal and power producers for private power schemes. However, the preference for project financing in what is still a new and evolving area has meant that the number of funded projects has grown relatively slowly. Around 9,960MW of new private power capacity was financed on a limited recourse basis in the world (excluding North America) in 1995. A third of the total was coal-fired.

It is likely that both the overall total and the share of coal will grow in future years as the parties to the transactions become more comfortable with the deals. The learning curve was evident in the speed with which financial closure was reached in the Philippines on two coal schemes developed by Consolidated Electric Power Asia. The 730MW Pagbilao project took 18 months to reach financial closure in 1993, while the 1,000MW Sual project took six months in 1995. In other words, it took 18 hours to finance each megawatt at Pagbilao, but only 3 hours 30 minutes to finance a megawatt at Sual.

Financing apart, one of the most striking things about the private power schemes financed is their location. Almost 80 per cent of the total private capacity financed in 1995 was in Asia. This is not surprising, given the existing strong growth in economic and electricity demand in Asia.

The trend is set to continue. There are a number of coal-fired projects in the Mediterranean region, including two schemes in Turkey, and the well-advanced build-and-privatise 1,320MW complex at Jorf Lasfar in Morocco. There are also projects in the Caribbean, northern Chile, Colombia and Brazil. However, by far the greatest concentration of potential projects is in Asia.

In South Korea, 1,000MW of coal-fired capacity is being solicited for award in July 1996, with Posco regarded as front runner to secure at least one of the two 500MW plants being offered. In Taiwan the 1,350MW Mailiao Cogeneration scheme of the Formosa Plastics Group has secured environmental approvals, while Taiwan Cement and China Light & Power have agreed jointly to invest in Hoping Power Company's 1,320MW scheme. Both schemes were among several awarded on the basis of coal in the country's first private power solicitation in mid-1995.

In Indonesia some 7,500MW of capacity could be operating by 2005. This includes the 1,230MW Paiton Energy Company scheme led by the US's Edison Mission Energy, and the 1,220MW Jawa Power project led by Germany's Siemens and the UK's PowerGen. Both schemes have been successfully financed and are under construction.

In Pakistan, Consolidated Electric Power Asia's 3,960MW Keti Bandar project has broken ground, while in India around 56,000MW of coal-fired capacity is queueing up for development. Leading the pack is Mangalore Power, which is moving towards making final agreements for its 1,000MW imported coal-fired plant in Karnataka.

Martin Daniel is editor of FT Energy Publishing: Global Private Power

■ **Upgraded coal:** by Guy Doyle

New options can cut costs

Cleaning – removing dirt or water – can improve the quality of the product

The last decade has seen considerable advances in coal preparation technologies, but the proportion of the world's production that benefits from modern coal upgrading is less now than a decade and half ago. This reflects the huge expansion in output in China and India, where coal washing capacity has lagged behind raw production. In both countries there is considerable potential for improving quality that promises both commercial and environmental gain.

But the potential for advanced coal preparation is much wider. Novel processes, now being developed, promise to bring new ultra-clean coals into the market, while thermal upgrading could allow some clean low calorific (high moisture) coals to enter the international market.

The primary rationale for coal preparation, like any upgrading process, is to add value to the product. Improving quality – by removing dirt and inerts (including water) – can bring benefits to suppliers in terms of higher prices. If customers demand cleaner coals, there is an imperative to upgrade or risk losing markets. Enhanced preparation need not raise producers' costs or cut saleable product yields: in many cases new processes can reduce discard rates and cut overall preparation costs.

Coal preparation is almost entirely based on physical processes which separate coal from dirt on the basis of differences in either materials' specific gravity or surface properties. Novel physical cleaning concepts (*eg* using ultrasonics) as well as chemical and biological cleaning are being explored, but look far from being commercially viable.

Despite headline-grabbing breakthroughs, coal preparation techniques have been transformed through a series of incremental advances since the early 1980s. Design innovations have led to smaller, more efficient equipment that can be factory fabricated; wear-resistant and low friction materials have cut maintenance costs and improved plant availability; modern materials, such as moulded plastics and ceramic coatings, have slashed new equipment costs; computer evaluation, monitoring and control have improved efficiency.

These advances have meant that new upgrading circuits can be added to existing coal washeries while much of the new equipment can be transported elsewhere once a coal deposit has been worked out. Payback periods on some equipment can be less than a year.

All this is very different from the picture of major capital projects with long lead times developed by British Coal, among others, in the early 1980s.

These advances have reduced costs and improved saleable product yields. This has been especially the case in Australia and the US. British producers have lagged in this respect, largely because British Coal and the CEGB agreed that washing only the larger size coal made economic sense.

Another benefit of more comprehensive cleaning has been an improvement in product quality. In some cases, particularly in the US, this has been a key driving force behind the development of advanced cleaning. The more enlightened electric utility customers have for years sourced coal on the basis of minimising their total system costs. This means they do not simply buy the cheapest compliance coal that meets their boiler specification: they also factor in to their calculations associated downstream plant costs and the performance impacts of using particular coal qualities. Given the lower downstream costs related to lower ash sulphur coals, this has led many buyers to seek cleaner coals.

To date though, coal producers have not sought to push customers to very much cleaner coals. This may change as a number of novel coal upgrading processes, being developed under the auspices of the US Clean Coal Programme, promise to produce very clean coals.

One process being developed by Pittsburgh-based Custom Coal can remove a high proportion of the dirt and so produce a clean coal. The secret is to crush the coal so that the dirt can be liberated. Custom Coal says that the clean coal can be further enhanced by adding milled limestone. When burned, the limestone reacts with the remaining sulphur in the coal to produce calcium carbonate, thus reducing sulphur dioxide emissions. The company, which has already patented the process, calls it self-scrubbing coal.

Custom Coal believes that both its aggressively cleaned and self-scrubbing coals will attract a premium in the market, which will yield the upgrader a healthy profit. A pilot plant in Laurel, Pennsylvania, started producing commercial volumes earlier this year. The company is now hoping to take its technology overseas, with China the most likely target.

Getting rid of dirt is not the only route to upgrading: coal drying – removing inert water – provides another aspect. Dewatering and, to a lesser extent, modest drying are already part of preparation process. However, deep drying, by which surface and inherent (chemically bonded) moisture is removed, provides by far the biggest prize as it could potentially transform clean, low cost coals and lignites into marketable low moisture products.

Again, the US is the leading area with a number of processes being developed under the Clean Coal Programme. While these differ, all involve applying heat to evaporate water. The cost of energy at the drying location, which often means the cost of the feedstock itself, is crucial. The plant is also capital-intensive and in some cases produces a very different product to conventional coal.

Even so, if developers' estimates of costs are to be believed, these plants could yield a competitive upgraded product. Where the savings on transport costs are greater than the cost of upgrade, the benefit is clear. But even where upgrading does not result in a reduction in the cost per GJ to the buyer, it still may be worth it to the producer if the upgraded material can be sold into a market previously ruled out on grounds of heat value, moisture or handling problems.

Dr Guy Doyle is editor of Power UK

The coal quenching plant at Durgapur, West Bengal: India has seen a huge expansion in output *Ashley Ashwood*

■ **US coking coal:** by Jennifer Bennett

An industry's twilight years

Steelmakers no longer use as much of a product that is losing ground to steam coal

For more than a decade the US coking coal industry has been marked by consolidation of producing companies and the closure of unprofitable mines.

In many ways coking coal operations in the key producing area, Central Appalachia, reflect mining practices that are being phased out in the US coal industry as a whole. The coking mines are generally underground mines with low productivity rather than surface mines. Individual operations often produce well under 1m tonnes annually, run by small contractors rather than by the producing company itself.

The reason for these seemingly anachronistic conditions is that the coking coals are often found in thin, irregular seams not suitable for large-scale mining. Yet because these coals have physical characteristics that are valuable to steelmakers, there remains an incentive to continue mining them.

Yet US coking coal producers are aware that this incentive is diminishing. Technological developments in the steel industry have reduced the requirement for high quality coals with strong coking characteristics. Steelmakers have found ways to blend lower quality coals in their coke ovens and to inject coals with no coking properties directly into their blast furnaces.

In addition, steelmakers are finding ways to use coals which are not necessarily poorer quality but simply different from traditional coals. These changes mean that US exporters have been able to shift their sourcing of coals in some cases to mines with lower costs, but it also means the US has lost its place to Canada and Australia in some of its customary markets.

For most US producers, the coking market is secondary to the domestic steam coal market in any case. Total US output has been running close to a billion tonnes annually, but total exports of coking coal account for well under a tenth of that – about 55m annual tonnes – and the domestic coking market an even tinier proportion – approximately 30m tonnes.

Because profit margins have been thin on the coking side, many producers are making a concerted effort to shift to the domestic steam market. For example, Pittston Coal was the leading US exporter in the early 1990s, but it has slipped to sixth place in the first part of this year as a result of closing coking operations and putting an emphasis on selling to local utility customers.

The Dolet Hill coalmine in Louisiana *Glyn Genin*

Of this year's top two East Coast exporters, one – Consolidation Coal – operates coking mines in a thick seam that is mineable by productive longwall equipment. The second, AMCI, is a fast-rising company with more of the characteristics of a trader than a producer, though it owns several important mining complexes. It has carved out a niche for itself in supplying blends coming from a number of mine origins rather than the traditional "single seam" coals.

At the end of the decade, the motivation to shift to the domestic steam market will intensify as a Clean Air Act comes into effect. From January 2000, US power plants will have to meet a tight emission requirement for sulphur dioxide. It appears many utilities will meet this standard by switching to lower SO_2 coals rather than by installing scrubbers. This could lead to large price increases for low-SO_2 coals. Several coking producers already operate mines that can sell to export coking or domestic steam markets, but at lower cost to the local market. In many instances coals which have to be processed for coking consumption to reduce their ash content can be sold "unwashed" to utility customers.

In any case, given a choice, most producers would prefer to sell locally – there are far fewer administrative headaches in dealing with a nearby customer than in arranging for charters of ocean vessels, waiting for international letters of credit, and other details of the overseas trade.

Producers of "crossover coals" – which can go as either steam or coking types – will almost certainly shift tonnage to the domestic steam market unless prices rise substantially on the international scene. These coals are highly volatile: they contain a relatively high proportion of gaseous matter. Because of the way they perform in boilers, high-vols are the coals generally favoured in the steam coal market. They are valued in the coking market for other reasons, though they are usually blended with coals containing less volatile matter before being used in the coke oven.

> Volatile coals, with a high proportion of gaseous matter

Producers of mid-volatile and low-volatile coals will find themselves in a different situation. The mid-vol coking coals are prized by steel companies for their properties in the coke oven, but by chance these coals are found almost exclusively in the thinnest, most irregular seams in the US. Because of the mining costs, the prices commanded by these coals are at the upper limits of acceptability for buyers, who have found ways of doing without them where possible. The mid-vols continue to be sold to steel mills located inland which do not have access to the extensive blending facilities found at many port locations. But only a handful of mid-vol mines still operate today and the industry will be virtually gone by the end of the decade.

US low-vols have undergone the most intensive concentration in the industry. The 12m tonnes of annual production in the classic low-vol reserve, the Pocahontas No 3 coalfield along the Virginia-West Virginia border, is now largely controlled by two producers, Consolidation Coal and US Steel Mining. The Pocahontas seam is the only consistently thick coking seam in Appalachia, mineable by longwall machines that cut a broad swathe through the coal face. Low-vol coals are not generally favoured for boiler use – the amount of "crossing over" will be much smaller than for high-vols – but the profit margins in the coking market have been better than for many other coals. Yet prices on the international market have not been so high as to encourage new investment.

Consolidation Coal claims it will be forced to close two-thirds of its low-vol capacity by 2002 because of reserve depletion. In the Pacific Rim markets demand for US low-vol has virtually disappeared anyway: Australian and Canadian coal has replaced it. A likely scenario is that a scaled-down low-vol industry will continue operating beyond 2000, mainly for sale to European and Brazilian mills. These changes affecting high-, mid-, and low-vol coals could slice US export coking coal volumes by 50 per cent in the next five years.

In the US domestic coking market, the electric-arc based mini-mills are making rapid inroads on the markets of the coke-based integrated mills.

The US coking industry, once the premier supplier to the international market and a healthy industry in its home market, is entering its twilight years.

Jennifer Bennett is US editor of International Coal Report and author of the FT Management Report: Coking Coal – An Outlook for the Future.

■ **International coking market:** by Jennifer Bennett

Clean air move to shut plants

In the past decade there have been important shifts in global demand and supply

Over the past 10 years, there have been important shifts in suppliers and markets for coking coal. Australia has become a dominant supplier, surpassing the US in overall volume and challenging the latter even in the European market. Among coking coal consumers, Japan has stagnated while other Asian countries have grown with remarkable speed.

Pig iron production is an indicator of coking coal consumption, as coke is traditionally used as a smelting agent with iron ore in the blast furnace. The challenges confronting coking coal exporters are indicated by the levelling off of output in regions with mature steel industries, such as Europe, North America and Japan. On the other hand, Korea, Brazil and India are expanding iron and steel production, and China is experiencing rapid growth.

However, the implication for coking coal overall is negative, as the big coal importers are slowing down their production, while among those expanding output China is almost self-sufficient in coking coal and India meets 70-80 per cent of its own requirements.

With much resistance from the Japanese mills, the pattern of price-setting has changed to reflect the diversity of the global market. As recently as 1991, the Japanese benchmark price for coking coal set the tone for customers worldwide – in the rest of Asia, Brazil, and even Europe. But that system has fallen apart because of differences in market pressures facing suppliers of varying qualities, in exchange rates and in the financial circumstances of the customers.

The drive to reduce costs has led integrated mills to change the types of coals they use. The most obvious example is the growth of pulverised coal injection (PCI) in blast furnaces, which permits furnace operators to use coals without coking properties as a supplement to coke. Not only does this allow substitution of cheaper coals as a portion of the blast furnace feed, but it cuts down on the need for coke with its high operational cost.

Coke oven operators are also using non-coking coals in increasing quantities in their blends. And within the coking blends, operators are searching for ways to use cheaper, more widely available coals. But the true challenge for coking coal, in the long run, is the movement away from the traditional integrated steel mill – consisting of coke plant, blast furnace and basic oxygen furnace – toward the steel plant centred on electric arc furnaces (EAF). This method of steelmaking cuts coke and iron out of the production sequence in favour of steel scrap for the furnace feedstock.

The capital investment for an EAF-based mill, also called a mini-mill, is typically \$300-500/annual tonne installed capacity, compared with \$1,000-1,500 for an integrated mill. Operating costs are lower because of greater productivity, although raw material costs for a traditional mill are less as they consist of coal and iron as opposed to the highly processed inputs of scrap and electricity used by a mini-mill. But the latter has environmental advantages as it bypasses the coke plant with its emissions of dust and potentially toxic chemicals such as benzene; the use of scrap is also an important form of recycling.

It is the dependence on scrap which has, in fact, led some observers to forecast a slowdown in the growth of electric steel, as severe scrap shortages have occurred in some regions. But that problem is being solved by the development of scrap substitutes, usually a form of direct reduced iron. The movement away from the integrated mill has been given added impetus by the ageing of coke capacity at many steel companies. Stringent environmental regulations have made it prohibitively expensive to build a new coke plant in most parts of the world, but the old plants cannot meet the emission standards.

The problem will become a critical one after 2000, particularly in the US and Japan. The US Clean Air Act imposes an emission standard for coke plants, coming into effect in 2003, which will be sufficiently costly for many steelmakers to meet that they will choose to close coke plants instead. In Japan, many coke plants will reach the end of their operable lifespan between 2005 and 2010. One option for steel companies is to import their coke requirements, but the only expanding supply source is China. Coke from that source has been somewhat unpredictable in quality and timing of delivery.

Steel companies are working to solve these problems in different ways, but most have the same result either directly or indirectly: a reduced demand for coking coal.

■ **The environment:** by Alec Toohey

Image needs clean-up

Coal used to harm the atmosphere. It no longer causes smog, but the public is still wary

The rapid growth in energy demand over the next 20 years in all parts of the world, but most of all in the developing countries of Asia, will undoubtedly lead to an expansion of the use of coal for power generation and hence of coal production. In some quarters this is a cause for concern, because the public image of the coal industry and of the effects of coal use still reflects the environmental damage caused by the industry in the 19th and early 20th centuries.

This image is based on the experience of Europe and North America, where chimney stacks pouring out black smoke were much in evidence until the 1950s. The problems often resulted in damage to the landscape and the environment but the industry has eliminated this almost everywhere.

Environmental impact statements are now conducted on a cradle-to-grave basis to meet the needs of shareholders, banks and government legislation. Reclamation and rehabilitation work is an integral part of mine development, beginning early in the production phase and often continuing after the mine is closed.

Coal companies work closely with local communities to ensure that mining has a minimal effect on their environment, not only in its visual effects but by the suppression of dust and noise. These objectives are achieved by careful coal preparation and handling and by precautions such as spraying of stockpiles.

When coal is transported by road or rail, measures such as covering road vehicles and control of the moisture content can help to prevent spillage or dust. These apply to delivery of coal from the mines to industrial users and/or export ports, to the handling and stockpiling of coal and the loading or discharge of coal ships in port. Ocean shipment of coal constitutes no environmental hazard.

In the rare event of a sinking of a coal ship the environmental damage is minimal, quite unlike the serious pollution of the sea and shoreline from oil tanker disasters. In transportation and trade, coal is the safest and the most environment-friendly form of energy. Environmental concerns about coal now focus on its use, particularly for power generation, and its reputation as a polluting fuel through emissions of various gases and, until recently, of smoke and dust.

There is no doubt that the use of coal in open fires for household heating and in primitive industrial boilers was responsible for much of the grime in European and American cities in the past, and contributed to the infamous smog which increased the incidence of respiratory diseases. This use of coal has virtually disappeared in western Europe and North America and is declining elsewhere in the world. The almost universal introduction of precipitators and filters means that power station chimneys no longer emit black smoke and dust which were the primary cause of pollution. Smog is now a thing of the past in London and other cities – except the kind which emanates from vehicle exhausts.

Noxious emissions are being eliminated

More recently, the principal public concern has been acid rain. This arises from gaseous emissions of sulphur dioxide and oxides of nitrogen (NOx). These gases react with water vapour in the atmosphere to form weak acids, which fall as acid rain and are believed to harm forests and lakes and to corrode stonework. Although much of this damage is now understood to have other causes, the use of lower sulphur coals, the application of flue gas desulphurisation, new combustion technologies and of low NOx burners have combined to reduce sulphur emissions by up to 95 per cent and NOx emissions by 60 per cent.

For new power stations several clean combustion technologies are being developed. Fluidised bed combustion and its variants and a number of different gasification and combined cycle systems ensure removal of 99 per cent of sulphur compounds and permit the reclamation of pure sulphur as a valuable industrial raw material.

In short, the emission of noxious substances from power stations and other coal-burning industrial plant is a problem which can now be solved and is well on the way to being eliminated.

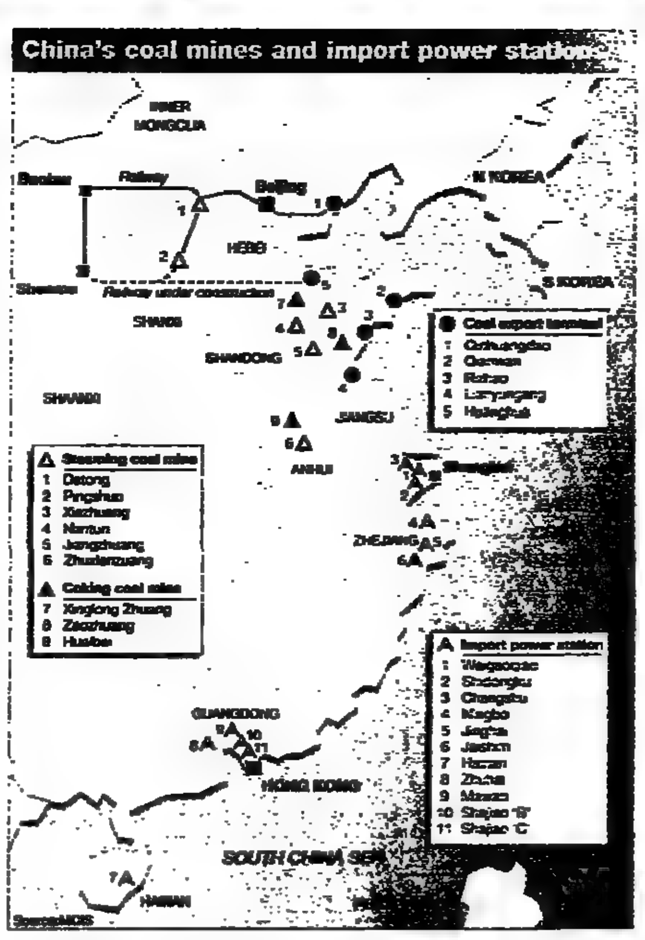
The last and most formidable obstacle to coal's environmental acceptance is the issue of global warming. It is not possible to burn any fossil fuel without emitting carbon dioxide, and coal, due to its intrinsic molecular structure, contains more carbon, and hence emits more CO_2 per unit of energy than oil or gas. The Intergovernmental Panel on Climate Change has stated that the growing use of fossil fuels is one of the principal causes of the enhanced greenhouse effect – an increase of the average temperature of the surface of the earth. The forecasts of rising temperatures are based principally on imperfect global climate models – accurate satellite measurements have shown no increase since they began in 1979, and temperatures recorded by weather balloons in the Arctic show no change over the past 40 years.

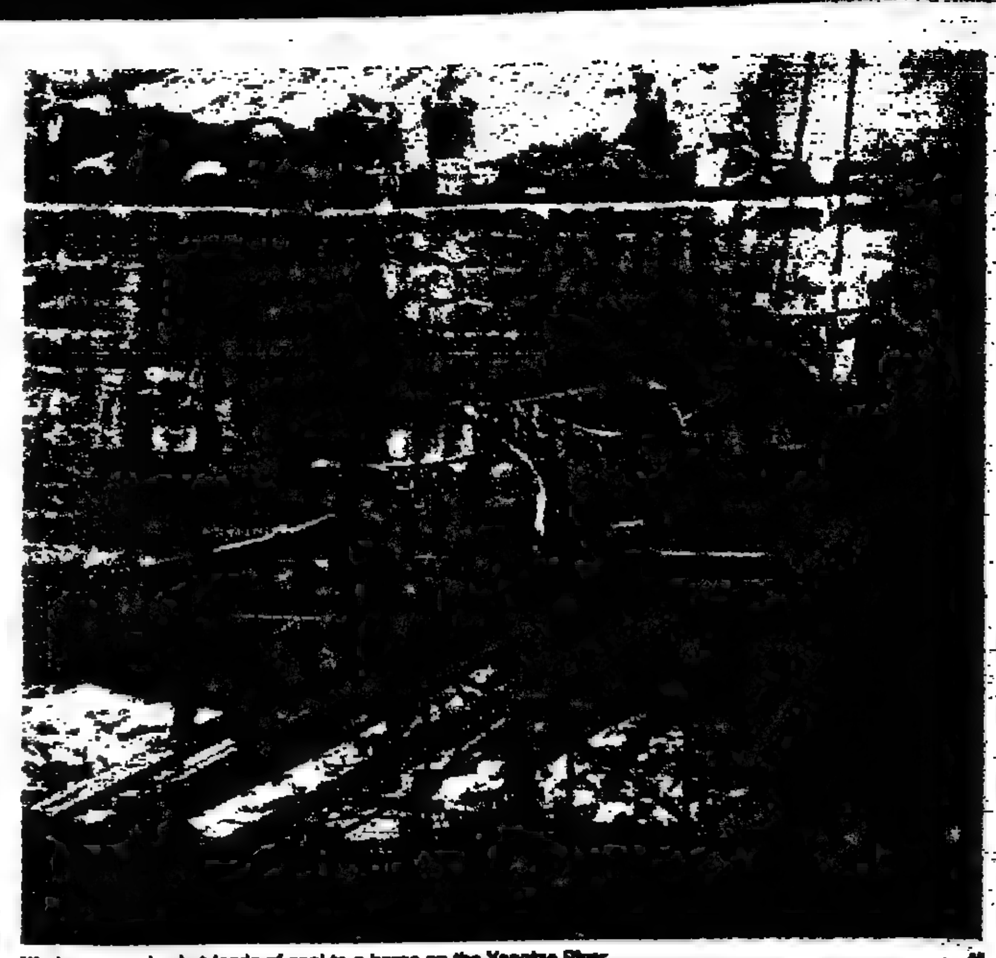
Many scientists are not convinced that any such increase is caused solely or even primarily by burning fossil fuels; however, the drift of political sentiment may lead to some restrictions or financial penalties on the future use of coal. The industry can respond to this pressure only by working with its customers to improve the efficiency of coal use – to use less coal and therefore emit less CO_2 per unit of electricity generated. This is a no regrets measure – even if it does not affect climate change, it will benefit coal and its customers by cutting the cost of electricity and helping to conserve coal reserves.

Coal's contribution to the world's future energy supplies is widely acknowledged; its false image as a polluting fuel must not hinder the industry's development to meet the challenge of the 21st century.

Dr Alec Toohey is chief executive of the World Coal Institute.

China's coal mines and import power stations





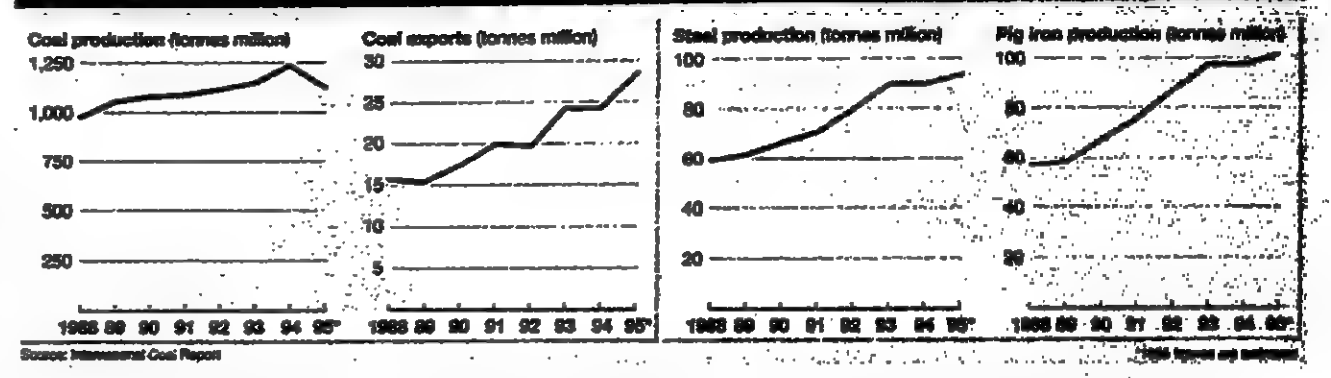
Workers carry basket-loads of coal to a barge on the Yangtze River

■ **China:** by Gerard McCloskey

Tonnes that are not enough

Demand at home leaves little for exports and there may soon be an importing bonanza

China's production and exports



Source: International Coal Report

China is the last remaining great coal economy. Production is immense – more than 1.2bn tonnes last year – and expansion plans should increase that to at least 200m tonnes a year more by the end of the century. The additional output would equal the whole of Australia's coal industry.

The country's coalmining workforce exceeds 5m. However, China's appetite for coal is gargantuan, which leaves precious little for export. Demand for coking coal has shot up in the wake of China's stunning growth in steel and pig iron production. Pig iron represents the overwhelmingly dominant market for coking coal and China's pig iron production rose by more than 50 per cent to 102m tonnes in the five years to 1995, lifting China ahead of Japan to become the world's top pig iron producer.

In China's energy economy, coal accounts for 75 per cent of the total market, compared with just 2 per cent for gas. In the electricity sector, 1,000–1,500MW of coal burning capacity is to be added each month for the next five years, adding 250m tonnes to annual demand.

However impressive all these large numbers appear, showing soaring demand and vast production, they are more than matched by the immense difficulty of moving greater tonnages from the mines to customers all over the country. China's coal deposits are mainly in the north, focused on Shanxi province, which alone accounts for a quarter of the country's output. The route from Datong in the heart of Shanxi's coalfields to the rest of the market involves a massive coal movement along the rail link to the port of Qinhuangdao on the Gulf of Bo Hai, east of Beijing. The bulk of this tonnage is moved south to power plants along China's coastline in the south and south-west. Qinhuangdao is also the export point for much of China's overseas sales.

Though the rate of growth of China's steel and coal industries matched that of the overall economy, many outsiders have looked on with disbelief, suspecting that it was unsustainable. In particular, statements by the Coal Ministry and officials from the state exporter, the China National Coal Industry Import Export Corporation, that exports would expand from around 27m tonnes last year to 50m tonnes by the end of the century have been dismissed as just wishful thinking. What many have believed would happen was that, far from exporting increasing volumes, China would end up importing more than it exported.

In the first four months of this year a fall in exports has borne out this belief. A three-year contract has been signed with the trader Glencore for steam coal imports for supplies to coastal stations. So far, import levels are relatively small, and little more than 4m tonnes are expected this year. But the level of coal station construction on the east and south coastal provinces – as well as existing stations accessible from the Yangtze and Pearl rivers – is such that Japanese predictions that southern China alone would be importing 50m tonnes annually within 10 years now seem plausible.

To sustain exports in face of worsening congestion on the Datong-Qinhuangdao railroad, the Chinese coal authorities have taken three steps: they have shifted the short-term expansion of exports to the coastal province of Shandong; they have encouraged additional official coal export groups to add to the efforts of CNCIEC to lift export levels and a new corporation, Shen Hua, has been established to develop the enormous Shenmu deposits in Shaanxi province, to the west of Shanxi.

The Shen Hua Group, which signed a letter of intent in May with Arco Coal, has been set up by the state planning commission with full funding not only to enable it to develop mining at Shenmu, but also to construct a rail link to a dedicated coal terminal at Huanghua. It is very much a project for the next century, with the railway not due to complete construction before 2003. Until then, it is likely to add to, rather than ease, congestion problems between Datong and Qinhuangdao since, while new rail links have just been built to take coal from Shenmu out of Shaanxi from both the north (via Baotou in Inner Mongolia) and the south of the deposit (through to Shuoxian in Shanxi). Only the extension of this line from Shuo Xian through to Hebei province and finally directly to Huanghua will help ease this congestion.

Shenmu is the only big new coal area which is likely to make a lasting impact on international markets for the next decade. There are plans to develop the Jungar deposit in Inner Mongolia, but CNCIEC officials believe it has too low a calorific value to interest overseas buyers. Also a second Pingshuo pit may be built in Shanxi, but that looks at least a decade off.

The first Pingshuo pit was built as a joint venture between the Chinese and Island Creek Coal China, a subsidiary of Occidental Petroleum. But the partnership broke up, though the big (15m tonne a year) pit continues to operate very successfully.

The expansion of Shandong as an export province will mainly be in steam coal, with the addition of supplies from Nantun and Dongtan mines in the Yanzhou area of the province, These will face a relatively short rail haul to the province's ports of Qianwan, Rizhao and Lianyungang.

On the commercial front, China has ceased to be a world supplier. Even in Asia, it ships almost exclusively to a tight region covering Japan and North and South Korea.

If the international coal industry no longer fears that it will be overwhelmed by Chinese exports, it has yet to be convinced of a Chinese importing bonanza. But the evidence is emerging. It is not only Glencore's three-year, 3m-tonne annual contract for coastal power plant (which adds to its agreement to supply Shajiao B in Guangdong which will eventually involve 2m tonnes a year). In addition, several Australian producers have struck up independent business deals.

Much more is still to come, with the bulk of the offers called for by the Chinese authorities for private power projects involving coal-firing. Altogether 78,500MW (involving upwards of 180m tonnes of annual coal burn) of the 135,000MW solicited by Chinese authorities are coal-burners. An additional 95,000MW have been proposed. Many are in provinces with no or little coal resource, such as Fujian.

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jul 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.7224	-0.0065	154 - 293	16.7409	16.6992	16.6912	2.2	16.6162	2.5	-	-	104.7
Belgium	(BFr)	48.8947	-0.0316	720 - 173	48.9600	48.8430	48.7997	2.3	48.6097	[illegible]	47.8197	2.2	108.3
Denmark	(DKr)	9.1526	-0.0053	486 - 566	9.1648	9.1439	[illegible]	1.8	9.1185	1.5	9.0107	1.6	107.2
Finland	(FM)	7.2562	-0.005	477 - 626	7.2910	7.2390	7.2506	0.7	7.2428	0.7	-	-	83.6
France	(FFr)	8.0303	-0.0061	277 - 329	8.0376	8.0183	8.0181	1.8	7.9954	1.7	7.902	1.6	109.0
Germany	(DM)	2.3761	-0.0009	751 - 770	2.3795	2.3726	2.3717	2.2	2.3626	2.3	2.3239	2.2	[illegible]
Greece	(Dr)	372.909	-0.385	739 - 078	375.386	370.815	-	-	-	-	-	-	67.8
Ireland	(I£)	0.9748	-0.0002	740 - 755	0.9758	0.9737	0.9743	0.6	0.9731	0.7	0.9686	0.6	88.8
Italy	(L)	2382.49	-3.21	149 - 350	2385.69	2376.22	2388.04	-2.8	2397.89	-2.6	2430.39	-2.0	77.1
Luxembourg	(LFr)	48.8947	-0.0316	720 - 173	48.9600	48.8430	48.7997	2.3	48.6097	2.3	47.8247	2.2	108.3
Netherlands	(Fl)	2.6655	-0.0012	641 - 669	2.6691	2.6625	2.6594	2.7	2.6475	2.7	2.5987	2.5	106.4
Norway	(NKr)	[illegible]	-0.0034	255 - 417	10.1468	10.1166	10.1251	1.0	10.1081	1.0	10.0246	1.1	98.6
Portugal	(Es)	244.050	-0.129	917 - 182	244.185	243.639	244.475	-2.1	245.38	[illegible]	-	-	94.6
Spain	(Pta)	199.700	-0.223	592 - 807	199.897	199.491	199.96	-1.6	200.475	-1.6	201.875	-1.1	80.4
Sweden	(SKr)	10.3782	+0.0007	[illegible]	10.3894	10.3462	10.3765	0.0	10.3766	0.0	10.3748	0.0	[illegible]
Switzerland	(SFr)	1.9624	+0.0044	613 - 634	[illegible]	[illegible]	1.9574	[illegible]	1.9466	3.2	1.8984	3.3	110.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	86.7
Ecu	-	1.2523	-0.0011	518 - 528	1.2536	1.2513	1.251	1.2	1.248	1.4	1.2347	1.4	-
SDR†	-	1.080000	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5529	[illegible]	[illegible]	1.5581	1.5523	-	-	-	-	-	-	-
Brazil	(R$)	1.5821	-0.0056	615 - 627	1.5858	[illegible]	-	-	-	-	-	-	-
Canada	(C$)	2.1282	+0.0071	[illegible]	2.1319	2.1145	2.1275	[illegible]	2.1239	0.8	[illegible]	0.6	84.3
Mexico	(New Peso)	11.8651	-0.0069	546 - 755	11.8875	11.8398	-	-	-	-	-	-	-
USA	($)	1.5551	-0.0052	547 - 554	1.5586	1.5547	[illegible]	0.3	[illegible]	0.1	[illegible]	0.0	97.6
Pacific/Middle East/Africa													
Australia	(A$)	1.9653	[illegible]	[illegible]	1.9685	1.9640	1.9679	-1.6	1.9729	-1.5	1.9962	-1.7	94.1
Hong Kong	(HK$)	12.0377	-0.0398	342 - 411	12.0648	12.0332	12.0296	0.8	12.018	0.7	11.9962	0.3	-
India	(Rs)	54.4269	-0.3223	[illegible]	54.7710	54.0950	-	-	-	-	-	-	-
Israel	(Shk)	4.9665	-0.0153	626 - 704	4.9746	4.9585	-	-	-	-	-	-	-
Japan	(Y)	172.432	+0.219	354 - 509	172.680	171.990	171.707	5.0	170.217	5.1	[illegible]	5.0	132.0
Malaysia	(M$)	3.8732	-0.013	715 - 748	3.8846	3.8712	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2680	-0.0088	647 - 673	2.2711	2.2639	2.271	-2.6	2.2805	-2.6	2.3146	-2.1	108.5
Philippines	(Peso)	40.7190	-0.1752	554 - 826	40.7942	40.6448	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8324	-0.0195	307 - 340	5.8450	5.8305	-	-	-	-	-	-	-
Singapore	(S$)	2.1989	-0.0034	976 - 001	2.2033	2.1975	-	-	-	-	-	-	-
South Africa	(R)	6.7435	[illegible]	[illegible]	6.7746	6.7312	-	-	-	-	-	-	-
South Korea	(Won)	1265.03	-0.02	444 - 593	1267.74	1263.14	-	-	-	-	-	-	-
Taiwan	(T$)	42.8697	-0.0871	[illegible]	42.8959	42.8462	-	-	-	-	-	-	-
Thailand	(Bt)	39.5255	-0.1049	127 - 383	39.6140	39.5050	-	-	-	-	-	-	-

† Rates for Jul 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.7538	[illegible]	515 - 556	10.7605	10.7200	10.7341	2.2	10.6921	2.3	10.5086	2.3	104.7
Belgium	(BFr)	31.4425	+0.0845	350 - 500	[illegible]	31.3500	31.3875	2.1	31.2725	2.2	30.7325	2.3	106.1
Denmark	(DKr)	5.8857	+0.0162	844 - 870	5.8890	5.8675	5.8782	1.5	5.8612	1.7	5.7922	1.6	108.7
Finland	(FM)	4.6658	[illegible]	[illegible]	4.6835	4.6458	4.6591	1.7	4.6471	1.6	4.6016	1.4	82.5
France	(FFr)	5.1640	+0.0133	635 - 645	5.1685	5.1470	5.157	1.6	5.1428	1.6	5.075	1.7	109.6
Germany	(DM)	1.5260	[illegible]	277 - 282	1.5290	1.5231	1.5255	2.0	1.5197	2.2	1.4915	2.4	[illegible]
Greece	(Dr)	239.805	+0.585	750 - 860	241.080	238.120	241.48	-8.4	244.83	-8.4	258.805	-7.9	[illegible]
Ireland	(I£)	1.5954	-0.0049	945 - 962	[illegible]	1.5937	1.5959	-0.4	1.5968	-0.4	1.5993	0.4	-
Italy	(L)	1532.10	+3.05	180 - 240	1534.25	1526.95	1536.85	-3.7	1545	-3.4	1567.75	-2.3	76.5
Luxembourg	(LFr)	31.4425	+0.0845	350 - 500	31.4650	31.3500	31.3885	2.0	31.283	2.0	30.8025	2.0	106.1
Netherlands	(Fl)	1.7141	+0.005	136 - 146	[illegible]	[illegible]	[illegible]	2.3	1.7036	2.4	1.6718	2.5	106.1
Norway	(NKr)	6.5166	[illegible]	[illegible]	6.5230	6.4930	6.5137	[illegible]	[illegible]	0.5	6.4716	0.7	98.1
Portugal	(Es)	156.940	+0.44	[illegible]	157.030	156.570	157.255	-2.4	157.845	-2.3	159.99	-1.9	94.7
Spain	(Pta)	128.420	[illegible]	[illegible]	128.470	128.100	128.67	-2.3	129.1	-2.1	130.64	-1.7	80.2
Sweden	(SKr)	6.6726	+0.0227	676 - 776	6.6778	6.6377	6.6837	-2.0	6.7011	-1.7	6.7431	-1.1	89.5
Switzerland	(SFr)	1.2619	+0.007	615 - 623	1.2630	1.2550	1.2584	3.4	1.2509	3.5	1.2174	3.5	110.1
UK	(£)	1.5551	-0.0052	547 - 554	1.5585	1.5547	[illegible]	0.3	1.5545	0.1	1.5556	0.0	86.3
Ecu	-	1.2418	-0.0031	415 - 420	1.2448	1.2413	1.2426	-0.7	1.2442	-0.8	1.253	-0.9	-
SDR†	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	[illegible]	[illegible]	0.9983	-	-	-	-	-	-	-
Brazil	(R$)	1.0046	-0.0002	044 - 047	1.0048	1.0044	-	-	-	-	-	-	-
Canada	(C$)	1.3686	+0.0091	[illegible]	1.3696	1.3594	1.3684	0.1	1.3687	0.0	1.3715	-0.2	84.1
Mexico	(New Peso)	7.6300	+0.021	[illegible]	7.6360	7.6240	7.7915	-25.4	7.9765	-18.2	9.74	-27.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2637	-0.0112	[illegible]	1.2645	1.2630	1.2657	-1.9	1.2692	-1.7	1.2879	-1.9	94.0
Hong Kong	(HK$)	7.7410	+0.0002	405 - 415	7.7415	7.7403	7.7417	-0.1	7.7435	-0.1	7.7705	-0.4	-
India	(Rs)	35.0000	[illegible]	[illegible]	35.2000	34.7300	35.18	-6.1	35.455	-5.2	36.925	[illegible]	-
Israel	(Shk)	3.1938	+0.0008	[illegible]	3.1960	3.1830	-	-	-	-	-	-	-
Japan	(Y)	110.865	+0.51	[illegible]	110.920	110.430	110.44	[illegible]	109.54	4.9	105.8	4.6	132.9
Malaysia	(M$)	2.4907	-	[illegible]	2.4927	2.4902	2.4916	-0.4	2.4977	-1.1	2.5212	-1.2	-
New Zealand	(NZ$)	1.4571	-0.0006	567 - 577	1.4578	1.4562	1.4602	-2.6	1.466	-2.4	[illegible]	-2.3	-
Philippines	(Peso)	26.1850	-0.025	500 - 200	26.2200	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 508	3.7508	3.7504	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4140	+0.0025	135 - 145	1.4145	1.4130	1.4104	3.0	1.4044	2.7	1.379	2.5	-
South Africa	(R)	4.3365	-0.0015	340 - 390	4.3505	4.3300	4.384	-12.7	4.474	-12.7	4.8115	-11.0	-
South Korea	(Won)	813.500	+2.7	300 - 700	813.900	811.700	-	-	-	-	-	-	-
Taiwan	(T$)	27.5680	+0.036	640 - 720	27.6000	27.5530	27.573	-0.2	27.578	-0.1	-	-	-
Thailand	(Bt)	25.4175	+0.0175	150 - 200	25.4210	25.4000	25.5162	-4.7	25.72	-4.8	26.6025	-4.7	-

† SDR rate per $ for Jul 5. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 3: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

July 5	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.60	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.60	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.30
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	[illegible]	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	½	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.16	5.26	[illegible]	5.73	-	-	-
week ago	-	5.16	[illegible]	[illegible]	5.75	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 4	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	3 - [illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	4 - [illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	5 - [illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible] - 9	[illegible] - 9	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	½ - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

July 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.72	16.42	4.860	1.994	4872	[illegible]	20.72	499.3	408.5	21.23	4.013	2.045	4.353	3.181	352.6	[illegible]
Denmark	(DKr)	53.41	10	8.773	2.596	1.065	2602	2.913	11.07	266.7	218.2	11.34	2.144	1.093	2.325	1.699	188.4	1.368
France	(FFr)	60.88	11.40	10	2.959	[illegible]	2966	3.320	12.62	304.0	[illegible]	12.93	2.443	1.245	2.650	1.936	214.7	1.559
Germany	(DM)	20.58	3.852	[illegible]	1	0.410	[illegible]	1.122	4.263	[illegible]	84.05	4.369	0.826	0.421	0.896	0.654	72.56	0.527
Ireland	(I£)	50.14	9.388	8.236	[illegible]	1	2443	2.734	10.39	250.4	204.8	[illegible]	2.012	1.026	2.183	1.595	176.8	1.284
Italy	(L)	2.052	[illegible]	0.337	0.100	0.041	100.	0.112	0.425	10.25	8.384	0.436	0.082	0.042	0.089	0.065	7.236	0.053
Netherlands	(Fl)	18.34	[illegible]	3.012	0.891	0.366	893.5	1	3.800	[illegible]	74.91	3.893	0.736	0.375	0.798	[illegible]	64.67	0.470
Norway	(NKr)	48.28	9.036	[illegible]	2.346	0.962	2351	2.632	10	241.0	197.1	[illegible]	1.937	0.987	2.101	1.535	170.2	1.236
Portugal	(Es)	20.03	3.750	3.290	0.973	0.399	975.8	1.092	4.150	100.	81.81	4.252	0.804	[illegible]	0.872	0.637	70.63	[illegible]
Spain	(Pta)	24.48	4.583	[illegible]	[illegible]	[illegible]	1193	[illegible]	5.073	122.2	100.	5.198	0.982	0.501	1.066	0.779	86.33	0.627
Sweden	(SKr)	47.10	[illegible]	7.738	2.289	0.939	2295	2.568	9.759	235.2	192.4	10	1.890	0.963	2.050	1.498	166.1	1.208
Switzerland	(SFr)	24.92	[illegible]	[illegible]	1.211	0.497	1214	[illegible]	5.163	124.4	101.8	5.291	1	0.510	[illegible]	0.793	87.87	0.638
UK	(£)	48.89	9.155	8.030	2.376	0.975	2382	2.666	10.13	[illegible]	199.7	[illegible]	1.962	1	2.128	[illegible]	172.4	1.252
Canada	(C$)	[illegible]	[illegible]	3.773	1.117	0.458	1119	1.253	[illegible]	114.7	93.84	4.876	0.922	0.470	1	0.731	81.02	0.588
US	($)	31.44	5.886	5.164	1.528	0.627	[illegible]	1.714	6.514	157.0	128.4	6.675	1.262	0.643	1.369	1	110.9	0.805
Japan	(Y)	28.36	5.309	4.658	1.378	0.566	[illegible]	1.546	[illegible]	141.6	115.8	6.021	1.138	0.580	1.234	0.902	100.	0.726
Ecu		39.05	7.311	6.414	1.898	0.779	1906	2.129	8.091	195.0	159.5	8.291	[illegible]	0.799	1.700	[illegible]	137.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6604	0.6571	-0.0034	[illegible]	0.6554	14,460	58,948
Dec	0.6616	0.6611	-0.0032	0.6622	0.6592	38	1,951
Mar	-	0.6654	-0.0030	-	-	285	288

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.8035	0.7985	-0.0064	0.8040	0.7968	10,657	36,647
Dec	[illegible]	0.8026	-0.0066	0.8046	0.8005	27	1,177
Mar	-	0.8090	-0.0068	-	-	9	58

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.9152	[illegible]	-0.0023	0.9157	0.9102	28,767	77,752
Dec	0.9239	[illegible]	[illegible]	0.9256	[illegible]	61	3,727
Mar	-	0.9353	-0.0021	-	0.9355	7	138

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5622	1.5558	-0.0054	1.5636	1.5510	18,010	50,714
Dec	1.5580	1.5576	-0.0050	1.5570	1.5530	22	1,095
Mar	-	1.5594	-0.0044	-	1.5540	1	8

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) Jul 5

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	Sep
1.520	4.07	[illegible]	4.39	0.08	0.11	0.32
[illegible]	[illegible]	3.34	3.59	0.05	0.25	0.52
1.540	2.17	2.56	2.67	0.10	0.46	0.86
[illegible]	1.32	1.82	2.27	0.19	0.77	1.13
1.560	0.64	1.36	1.72	0.45	1.18	1.56

Previous day's vol., Calls 6,031 Puts 5,[illegible] . Prev. day's open int., Calls 147,624 Puts 124,727

■ Pound in New York

Jul 5	Close	Prev. close
£ spot	1.5570	1.5585
1 mth	1.5565	1.5582
3 mth	[illegible]	1.5580
1 yr	1.5580	1.5599

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in Today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Jul 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jul 5, 5.4817pc. ECGD fixed rate Stg. Export Finance. Make up day Jun 28, 1996. Agreed rate for period Jul 24, 1996 to Aug 25, 1996, Schemes II & III 7.20pc. Reference rate for period Jun 1, 1996 to Jun 28, 1996, Schemes IV & V [illegible]pc. Finance House Base Rate 6pc from Jul 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Jul 5	Jun 28		Jul 5	Jun 28
Bills on offer	£800	£800m	Top accepted rate	5.4951%	5.5352%
Total of applications	£4416m	£4066m	Ave. rate of discount	5.4817%	5.5316%
Total allocated	£800m	£800m	Average yield	5.5577%	5.6092%
Min. accepted bid	£98.630	£98.620	Offer at next tender	£800m	£800m
Allotment at min. level	25%	83%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday July 3, 1996	Increase or decrease for week
	£	£
Liabilities		
Capital	14,553,000	
Public deposits	1,251,294,656	+224,039,671
Bankers deposits	1,825,285,596	+49,381,962
Reserve and other accounts	[illegible]	[illegible]
	[illegible]	[illegible]
Assets		
Government securities	[illegible]	[illegible]
Advance and other accounts	[illegible]	[illegible]
Premises, equipment and other secs	[illegible]	[illegible]
Notes	[illegible]	[illegible]
Coin	[illegible]	[illegible]
	[illegible]	[illegible]
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	[illegible]	[illegible]
Notes in Banking Department	[illegible]	[illegible]
	[illegible]	[illegible]
Assets		
Other Government securities	[illegible]	[illegible]
Other Securities	[illegible]	[illegible]
	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	Royal Bk of Scotland	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	[illegible]	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	●Smith & Williman Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	Scottish Widows Bank	5.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GOLD MINES INDEX

	Jul 5	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (32)	[illegible]	+8.1	[illegible]	100.00	1.48	-	[illegible]	[illegible]
■ Regional Indices								
Africa (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2272.74
Australasia (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2142.75
North America (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1465.94

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■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.26	94.09	-0.17	94.27	94.07	[illegible]	415,809
Dec	93.98	93.69	-0.27	93.98	93.67	109,629	435,179
Mar	93.79	93.47	-0.31	93.79	93.45	75,452	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.82	94.60	-0.16	94.76	[illegible]	718	5,955
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. ◆ Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Allied Domecq	[illegible]	447xd	-1.1	Q29.6	1.1	Feb Jul	20.5	1950
Bulmer (HP)	[illegible]	679	2.5	12.3	2.6	Feb Sep	8.1	2005
Burn St Dist	[illegible]	99	—	5.0	0.9	May Nov	22.4	1518
Glenmorangie A	[illegible]	765xd	—	12.0	3.3	Jan Jul	17.6	2257
Grand Met	[illegible]	422	-1.2	15.25	1.5	Apr Oct	29.12	2799
Guinness	[illegible]	470	0.4	14.9	2.1	May Nov	1.4	2781
Highland	[illegible]	376	1.3	8.0	2.7	Jan Jun	7.5	2890
Kirin Y	[illegible]	772½	-2.4	Q20%	4.2	Mar Sep	—	1119
Macallan-Glen	[illegible]	157	-16.0	1.45	3.3	May Nov	15.4	3294
Matthew Clark	[illegible]	760	-1.2	22.0	0.2	Apr Oct	29.1	2153
Merrydown	[illegible]	140	6.9	4.5	ф	Jan Oct	11.12	3352
Seagram S		$21⅛	0.4	060c	—	MrJuSeDe	3.93	-

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Barings 9pc Cm 2nd Prf		50¼	—	9%	—	Jan Dec	11.94	1757
Cater Allen	[illegible]	428	7.8	30.0	ф	Jan Aug	11.72	2081
Close Bros	[illegible]	389	—	9.05	2.5	Apr Nov	11.3	2166
Gerrard & Nat	[illegible]	354xd	-.6	23.0	1.4	Jul Dec	24.6	2686
Hambros	[illegible]	235xd	1.3	7.5	—	Aug Dec	17.6	2812
7½pc Cv Pf		173	1.8	7½%	—	Oct Apr	26.2	4369
King & Shaxson	[illegible]	167xd	-1.8	9.0	1.4	Jan Aug	1.7	3088
Leopold J	[illegible]	428	—	19.5	ф	Sep Jan	11.12	3050
Rea Brothers	[illegible]	54	—	1.0	2.1	May Sep	1.4	3785
Schroders	[illegible]	1345	-7	16.0	4.5	May Oct	25.3	3939
N/V	[illegible]	1045	—	16.0	4.5	May Oct	25.3	3941
Singer & Fried	[illegible]	113	—	4.0	3.0	Jan Nov	29.4	4028
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- ♥ Rule 21.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. P Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414181 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Init Notes Chrg	Selling Price	Buying Price	Yield Gr's	City-Line
A$ Accum		A$18.816		6.40	40907
ASch Accum		Sch247.43		2.10	47644
C$ Accum		C$18.530		3.70	40941
DM Accum		DM38.087		2.10	41228
DFl Accum		Dfl31.511		1.60	40959
ECU Accum		Ecu13.373		3.30	41230
FFr Accum		FFr66.549		2.60	41352
HK$ Accum		HK$119.84		4.20	41316

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port 01481 724983
Lloyds Bank Fund Managers (Guernsey) Ltd

	Init Notes Chrg	Selling Price	Buying Price	Yield Gr's	City-Line
Australian Dollar ϕ		A$85.170		6.858	45405
Canadian Dollars ϕ		C$29.348		3.877	44463
Deutschmarks ϕ		DM83.053		2.392	45406
Dutch Guilders ϕ		Dfl35.859		1.851	44973
ECU's ϕ		Ecu32.633		3.522	45407
French Francs ϕ		FFr198.734		2.918	45408
Italian Lire ϕ	0	L25987.486		6.615	-
Japanese Yen ϕ		Y3399.848		0.087	45409
New Zealand Dollar ϕ		NZ$39.866		6.855	45410
Norwegian Kroner ϕ	0	Nkr101.881		3.885	-
Portuguese Escudos ϕ		Es3729.524		6.702	44938
Spanish Pesetas ϕ		Pta565.085		6.989	44045
Sterling Class ϕ		£30.528		4.850	45417
Swedish Kronor ϕ	0	Skr101.222		5.235	-
Swiss Francs ϕ		SFr80.648		1.419	45412
US Dollar Class ϕ		$41.573		4.822	45413
Managed Sterling		£19.205		7.052	48159
Managed US$		$25.405		7.123	46160

Dealing daily

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 01481 722863

	Init Notes Chrg	Selling Price	Buying Price	Yield Gr's	City-Line
Island Global Fd	0	1885.1	1998.2	0.89	45418
Island Gold	0	4499.7	4763.7	0.04	50138
(Accum Units)	0	8570.5	9084.7	0.04	45422
Island UK Fd	0	1029	1090.7	3.45	45423

Rothschild Asset Mngmt - Contd.
Five Arrows International Managed Portfolio

	Selling Price	Buying Price	Yield Gross	City-Line
UK Capital Growth	£11.861		-	54971
Balanced Income & Growth	£11.364		-	54972
Balanced Income & Growth	$11.584		-	54973
International Capital Growth	£11.520		-	54974
International Capital Growth	$11.823		-	54975

Royal Bank of Canada Intl Money Market Fd
Money Market Plus

	Selling Price	Buying Price	Yield Gross	City-Line
US$ Accum Class	$1.1790xd		4.70	49795
US$ Distrib Class	$1.0000xd		4.70	49796
C$ Accum Class	C$1.2404xd		4.23	49797
C$ Distrib Class	C$1.0187xd		4.23	49798
Sterling Accum Class	£1.2791xd		4.88	50353
Sterling Distrib Class	£1.0284xd		4.88	50354
SWF Accum Class	SFr1.1188xd		0.94	49801
SWF Distrib Class	SFr1.0094xd		0.94	49802
DM Accum Class	DM1.2057xd		2.48	49803
DM Distrib Class	DM1.0149xd		2.48	49804
Yen Accum Class	Y1.0392xd		0.00	49805
Yen Distrib Class	Y1.0022xd		0.00	49806

Saudi International (Guernsey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Falcon High Income	$108.17	109.27	-	44741

Schroder Investment Mngmt (Guernsey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Grass	£0.340	0.901	-	54076
Eastern European	$15.636	16.585	-	54077

LGT Asset Management Ltd - Contd.

Tilney (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

AIG Asset Management Ltd

Argenta European Hedge Fund plc

Global Resources Stock Fund

Gordon House Asset Management Ltd

HSBC UK Equity Plus Plc

Hambros Fund Managers (Ireland) Ltd

Hanson Asset Management Ltd

Scottish Mutual Intl Fund Managers Ltd

Sellers Investment Management (Ireland) Ltd

Singer & Friedlander Closed Funds Plc

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 3531 497 2000
Murray Global Accumulation Fund Plc

	Selling Price	Buying Price	Yield Gross	City-Line
Murray Financials Bond . 2	102.17		5.55	-

Baring International Fd Mgrs (Ireland) Ltd

Odey Asset Management Ltd
80 Harcourt Street, Dublin 2 00 3531 790 2400

	Init Notes Chrg	Selling Price	Buying Price	Yield Gr's	City-Line
Odey European Gth Inc		DM161.32		-	45091
Odey European Gth Acc		DM161.32		-	46138
Odey European Gth Inc		£67.82		-	51283
Odey European Gth Acc		£68.18		-	51284

Old Mutual International Fd Mngrs Ltd (a)
IFSC, Lower Mount Street, Dublin 2 Ireland 00 3531 6621665

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Umbrella Fund Inc	$12.46	12.84	3.64	48874
Greater America Fund '97	$99.86		0.00	45879
Pacific Emerging 94 A	$69.08		0.00	52199
Pacific Emerging 94 B	$97.43		0.00	52200
Latin America	$99.96		0.00	54437

Berkshire KTC Growth Fund Plc

Berkshire Korea Fund Plc

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Offshore Am Grth Fd	$11.5442	12.2881	–	[illegible]
Offshore Emerging Cos	$7.7276	8.2122	–	[illegible]
Offshore Far East Grth Fd	[illegible]	[illegible]	–	45525
Offshore Intl Grth Fd	[illegible]	[illegible]	–	[illegible]
Offshore Japanese Grth Fd	$1.3257	1.4089	–	47890
Offshore UK Growth Fd	[illegible]	4.0148	–	[illegible]
Offshore Asia Smaller Mkts	$1.8203	1.9345	–	[illegible]
Offshore Latin Amer Growth	$1.1276	1.1984	–	[illegible]
Offshore European Grth Fd	[illegible]	2.7724	–	[illegible]
Offshore Global Bond	[illegible]	[illegible]	–	[illegible]
Offshore Global Bond Acc	$1.1247	1.1716	–	[illegible]

The Portugal Fund Limited

Lloyds Bank International (Jersey) Limited

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Jun 28	$7.07		–	[illegible]

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
[illegible] Fund	£23.35	[illegible]	1.14	[illegible]
Lowes Aggressive Portfolio	£11.8	12.42	–	[illegible]
Lowes Defensive Ptflio	£12.08	12.73	–	[illegible]
Lowes Collective Ptflio Ltd	£11.33	11.89	–	[illegible]

TSB Fund Managers (CI) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
TSB Island Premium	724.9	763.2	–	[illegible]
Island Equity Acc	125.8	132.4	–	[illegible]

Dresdnerbank Asset Mngmt SA (u)

E.T. Investment Management Ltd

13 Rue Goethe, BP 413, Luxembourg 00 352 404646217

Fidelity Funds (u)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

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Old Mutual International - Contd.

	Selling Price	Buying Price	Yield Gross	City-Line
Broker Managed Funds				
£ OFS Global Port	£1.380	1.484	-	49831
£ YRA Worldwide	£1.470	1.581	-	49832
$ YRA Dir Worldwide	$1.554	1.672	-	42071
Young & Co Bond P'folio	$1.312	1.411	-	40346
Pioneer Mid Term Agg	$1.088	1.170	-	50238
Pioneer Long Term Cons	$1.120	1.204	-	50239
Pioneer Long Term Agg	$0.965	1.038	-	49502
$ Thomson Haywood Man	$1.181	1.280	-	44481
Acorn International Manager	$0.961	1.033	-	56250
[illegible] Global Gth	[illegible]	100.0	-	-

PanEuroLife societe anonyme
36 Av Marie-Therese, Luxembourg 00 352 456730

	Selling Price	Buying Price	Yield Gross	City-Line
French Balanced Jul 3	FFr6802.78		-	50225
German/Benelux Jul 3	DM3042.42		-	50226
Global Equities Jul 3	$7363.06		-	50227
UK Secure Gth Jul 3	£701.70		-	50228
US Secure Growth Jul 3	$1154.24		-	57197
Intl Real Estate Jul 3	Ecu1382.66		-	50229
Fund of Funds Jul 3	Ecu1223.69		-	50230

Premier Life
1 rue Emile Bian, Luxembourg Tlx 2808 Tel 4050751

	Selling Price	Buying Price	Yield Gross	City-Line
Davenport Chelwick £ Fd	£1.25	1.38	-	45918
Multigestion £ Perm	£1.09	1.18	-	45921
Multigestion $ Perm	$1.00	1.08	-	45922
Argent Blend	£15.34		-	48871
Argent Equity Gth	£24.83		-	46312
OFS/James Capel Mgd Gr £	£2.40		-	46809
OFS/James Capel Mgd Gr $	$2.02		-	46808
OFS Aggressive $	$1.57		-	46813
OFS Mngd Growth $	$2.03		-	46812
OFS Dir Balanced Port	$1.58		-	46810
CH 10	SFr1.58	1.70	-	47415
LX 10	$1.65	1.78	-	47416

Professional Investment Consultants

	Selling Price	Buying Price	Yield Gross	City-Line
CM the Actively Managed £	£0.445	0.478	0	55247
CM the Actively Managed $	$0.464	0.498	0	55248
PIC Growth Portfolio	$0.82	0.89	-	49490
Premier Life $	$1.43	1.497	-	49491

Alpha Fund Management Ltd - Contd.

	Selling Price	Buying Price	Yield Gross	City-Line
Delta Emerging Mkts May 31	$184.69		-	55689
Globalvest Value (E) May 31	$125.18		-	49578
Hemisphere Neutral May 31	$110.76		-	49573
Leveraged Value Fd Ltd May 31	$117.48		-	53800
Pacific Rim Opp BVI (E) May 31	$87.33		-	50263
Ringpress Intl Fd Ltd May 31	$95.32		-	49576
The Russia Fund Ltd May 31	$123.15		-	55881
Sage International May 31	$120.37		-	49575
Strategic Pacific Cap Ltd May 31	$121.49		-	-
Yen-Tec Small Cap Fd Ltd May 31	$115.11		-	55081
India Performance May 31	$100.06		-	-

Acavis Capital Advisors LLC

	Selling Price	Buying Price	Yield Gross	City-Line
Acavis Clipper Ltd	$106.57		-	-

Arc Investment Company Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Rainbow	$508.35		-	-
Rainbow	SFr507.36		-	-

Ardent Investment Management Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
The Satera Fund	$119.72		-	-

Aristocrat Capital Management Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Aristocrat Endeavor Fd	$20.23		-	-

Arnhold and S. Bleichroeder, Inc

	Selling Price	Buying Price	Yield Gross	City-Line
Aecos Corporation-Class A	$9831.91		-	55282
Agda International Fd Ltd-Class A	$923.34		-	55283
DEF Associates N.V. - Class A	$14706.75		-	55284
First Eagle Fund N.V. - Class A	$85534.14		-	55285
Global Beverage-Class A	$111.86		-	59428

Asia Pacific Capital Strategies Fund

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Jul 1	$9.89		-	54006

Asia Pacific Securities Corp Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Indian Smlr Cos Fd Ltd Jun 28	$18.35		-	55006

For Ashmore Investment Consultants see Ingoes Asia Pacific

Credis Investment Funds

Cała Currency Funds

Indian Opportunities Fund Ltd

Lloyds Bank International (Bahamas) Ltd

Oryx International Growth Fund Ltd

Sloane Robinson Investment Mngmt Ltd

Smith Barney Funds

Societe Generale Group

Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 5 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jul 5 / Frs.)

[illegible]

CZECH REP (Jul 4 / Koruna)

[illegible]

DENMARK (Jul 5 / Kr)

[illegible]

FINLAND (Jul 5 / Mka)

[illegible]

FRANCE (Jul 5 / Frs.)

[illegible]

GERMANY (Jul 5 / Dm.)

[illegible]

GREECE (Jul 5 / Drachma)

[illegible]

ITALY (Jul 5 / Lire)

[illegible]

NETHERLANDS (Jul 5 / Fls.)

[illegible]

NORWAY (Jul 5 / Kroner)

[illegible]

POLAND (Jul 5 / Zloty)

[illegible]

PORTUGAL (Jul 5 / Escudo)

[illegible]

SPAIN (Jul 5 / Pta.)

[illegible]

SWEDEN (Jul 5 / Kronor)

[illegible]

SWITZERLAND (Jul 5 / Frs.)

[illegible]

TURKEY (Jul 5 / TK Lira)

[illegible]

PACIFIC

JAPAN (Jul 5 / Yen)

[illegible]

AUSTRALIA (Jul 5 / Aus$)

[illegible]

HONG KONG (Jul 5 / H.K.$)

[illegible]

INDONESIA (Jul 5 / Rupiah)

[illegible]

MALAYSIA (Jul 5 / MYR)

[illegible]

NEW ZEALAND (Jul 5 / NZ $)

[illegible]

SINGAPORE (Jul 5 / S$)

[illegible]

SOUTH KOREA (Jul 5 / Won)

[illegible]

TAIWAN (Jul 5 / TW $)

[illegible]

THAILAND (Jul 5 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Jul 5 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Jul 5 / Can $)

4 pm close

[illegible]

MONTREAL (Jul 5 / Can $)

4 pm close

[illegible]

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INDICES

	Jul 5	Jul 4	Jul 3	1996 High		1996 Low	
Argentina							
General(29/12/77)	17994.87	18414.21	18301.71	16681.86	20/5	16898.81	19/3
Australia							
All Ordinaries(1/1/80)	2230.8	2225.7	2235.8	2328.80	26/4	2187.40	11/3
All Mining(1/1/80)	996.8	998.4	1005.9	1118.40	8/5	996.40	4/7
Austria							
Credit Aktien(30/12/84)	372.17	372.10	371.14	394.99	31/5	362.78	2/1
Traded Index(2/1/91)	1086.21	1085.35	1081.09	1142.61	28/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1760.73	1761.00	1765.54	1773.26	28/5	1574.80	2/1
Brazil							
Bovespa(29/12/83)	82665.0	84321.0	83559.0	84321.00	4/7	43601.00	2/1
Canada							
Metals Minls♦(1975)	5045.45	5101.08	5092.97	6624.60	8/5	4687.47	16/1
Composite♦(1975)	5062.79	5086.38†	5073.91	5246.49	31/5	4739.76	15/1
Portfolio§§(4/1/83)	2496.19	2509.87†	2503.41	2565.55	27/5	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	5722.97	5705.68	5679.43	5984.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	413.08	415.10	414.41	415.10	4/7	368.40	2/1
Finland							
HEX General(28/12/90)	2027.23	2035.64	2042.75	2070.42	31/5	1881.67	10/1
France							
SBF 250(31/12/90)	1435.84	1449.08	1442.30	1457.56	8/6	1250.16	2/1
CAC 40(31/12/87)	2098.73	2128.81	2113.98	2146.79	30/4	1887.85	11/1
Germany							
FAZ Aktien(31/12/58)	911.74	909.61	908.67	911.74	5/7	818.56	2/1
Commerzbank(1/12/53)	2627.6	2618.10	2619.3	2627.69	5/7	2370.20	2/1
DAX‡(30/12/87)	2583.49	2577.39	2569.95	2583.49	5/7	2284.86	2/1
Greece							
Athens SE(31/12/80)	904.15	904.39	902.21	1017.56	4/3	891.83	24/6
Hong Kong							
Hang Seng(31/7/64)	11177.13	11181.82	11063.28	11594.99	18/2	10204.87	2/1
India							
BSE Sens.(1979)	(c)	3701.74	3656.03	4089.26	18/6	2826.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	575.05	588.61	594.07	600.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2521.46	2519.26†	2539.46	2595.19	18/6	2234.61	2/1
Italy							
Banca Comm Ital(1972)	660.71	661.69	655.04	674.16	20/5	572.21	27/3
MIB General(2/1/86)	1120.0	1122.0	1111.0	1142.90	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	22232.42	22292.91	22379.02	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	313.62	313.93	315.05	319.70	26/6	284.48	11/3
Topix(4/1/68)	1690.50	1692.29	1698.34	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2249.99	2242.37	2248.21	2251.48	2/7	1952.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1133.18	1137.92	1135.07	1195.84	30/4	988.16	2/1
Mexico							
IPC(Nov 1978)	(c)	3174.86	3161.80	3392.86	22/5	2738.36	8/3
Netherland							
CBS TtlRtnGen(End 83)	642.9	647.4	644.3	652.80	12/6	539.50	2/1
CBS All Shr(End 83)	381.4	384.0	382.2	387.10	12/6	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2120.41	2120.17	2128.40	2203.06	4/1	2025.14	7/3
Norway							
Oslo SE(Ind)(2/1/83)	1436.57	1443.07	1436.61	1469.71	12/6	1259.66	30/1
Philippines							
Manila Comp(2/1/85)	3374.40	(c)	3351.73	3374.40	5/7	2579.87	2/1
Portugal							
BVL 30(4/1/93)	1989.63	1989.29	1989.29	1989.29	3/7	1802.84	2/1
Singapore							
SES All-S'pore(2/4/75)	555.59	558.07	558.64	618.37	5/2	553.88	2/1
South Africa							
JSE Gold(28/9/78)	1815.6♥	1802.8	1819.7	2090.40	29/5	1346.40	2/1
JSE Indl.(28/9/78)	8167.9♥	8197.1	8188.8	8738.30	25/1	7723.20	20/5
South Korea							
KoreaCompEx**(4/1/80)	845.12	841.51	838.24	986.84	7/5	817.49	29/6
Spain							
Madrid SE(30/12/85)	368.94	373.01	371.35	375.25	1/7	323.75	11/1
Sweden							
AffarsvarldsGen(1/2/37)	1965.3	1986.0	1990.6	2019.00	6/6	1706.60	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1779.86	1733.69	1783.31	1793.89	4/7	1616.19	17/1
SBC General(1/4/87)	1265.30	1275.60	1270.99	1275.60	4/7	1114.47	28/1
Taiwan							
WeightedPr.**(30/6/66)	6441.02	6428.40	6435.41	6560.41	29/6	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1257.99	1263.47	1268.20	1415.04	5/2	1223.40	24/6
Turkey							
Istanbul Comp.(Jan 1986)	72536.1	72417.8	72494.3	72536.18	5/7	36779.30	2/1
WORLD							
MS Capital Intl$(1/1/70)	772.3*	780.1	778.5	783.20	1/7	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1700.35	1709.78	1703.23	1709.78	4/7	1504.40	11/1
Euro Top-100(26/6/90)	1437.57	1449.26	1440.82	1458.26	26/4	1333.01	11/1
HSBC JC Dragn(31/12/88)	(u)	381.87	379.75	383.19	16/4	344.19	2/1
ING Bngs Emrg(7/1/92)	165.83	165.91	165.49	165.91	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Jul	2129.6	2098.0	–33.0	2134.0	2090.0	203,232	36,358
Aug	2137.5	2104.5	–33.0	2137.5	2098.0	60	2,512
DAX							
Sep	2596.0	2587.0	–10.0	2602.0	2585.0	18,821	–
Dec	2618.5	2606.5	–11.5	2617.5	2592.0	40	–
OMX							
Jul	1547.00	1525.00	–21.75	1550.00	1517.00	1,862	15,132
Aug	–	–	–	–	1549.00	–	1,170
SOFFEX							
Jul	3777.0	3734.0	–42.5	3776.4	3729.0	5,584	32,131
Aug	3780.0	3749.0	–33.0	3780.0	3744.8	27	87

** Sat Jun 29: Taiwan Weighted Price 6560.41; Korea Comp Ex 817.48. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.8; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 5 - 2589.79 -0.95

US INDICES

Dow Jones	Jul 5	Jul 3	Jul 2	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5588.14	5703.02	5720.38	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.53	101.08	101.00	105.89 (14/2)	101.03 (9/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2139.61	2188.89	2202.03	2298.20 (22/5)	1982.71 (18/1)	2298.20 (22/5/96)	12.32 (8/7/32)
Utilities	214.71	219.85	220.72	234.08 (12/2)	205.42 (7/5)	[illegible] (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5857.58 (5749.93) Low 5570.77 (5656.47) (Theoretical♠)
Day's high 5702.28 (5720.75) Low 5581.49 (5682.70) (Actual♠)

Standard and Poors	Jul 5	Jul 3	Jul 2	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	657.44	672.40	673.61	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	781.84	787.77	799.53	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	65.75	67.94	67.94	68.56 (5/3)	59.67 (10/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	353.24	360.37	361.01	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	574.33	579.65	579.56	614.88 (22/5)	528.05 (18/1)	614.88 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1158.36	1181.60	1181.15	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

RATIOS

	Jun 28	Jun 21	Jun 14	Year ago
Dow Jones Ind. Div. Yield	2.19	2.17	2.19	2.44
	Jun 26	Jun 19	Jun 12	Year ago
S & P Ind. Div. yield	1.87	1.87	1.87	2.14
S & P Ind. P/E ratio	22.29	22.22	19.65	18.60

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Ford Motor	3,309,100	31¼	-⅝
Hewlett Pckrd	2,738,500	92¼	-1⅞
Chrysler	2,622,800	57⅝	-2¼
Gen Motors	2,003,300	50⅛	-2
PepsiCo	1,931,500	34½	-⅜
Coca Cola	1,804,600	47⅝	-1⅛
Motorola	1,678,700	65⅞	+⅛
IBM	1,667,400	97⅞	-⅝
Merck	1,646,600	64¼	-1¾
Telef Mex	1,559,700	32⅞	-1

TRADING ACTIVITY

● Volume (million)

	Jul 5	Jul 3	Jul 2
New York SE	181.413	334.588	369.997
Amex	10.425	17.524	20.216
NASDAQ	[illegible]	510.720	538.167
NYSE			
Issues Traded	2,938	3,156	3,180
Rises	295	1,064	1,213
Falls	2,089	1,212	1,116
Unchanged	554	880	851
New Highs	20	63	92
New Lows	49	38	28

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
S&P 500							
Sep	675.75	661.10	–15.00	676.60	659.00	42,034	170,424
Dec	671.80	667.30	–15.05	674.80	665.50	328	7,308
Nikkei 225							
Sep	22340.0	22340.0	–	22440.0	22290.0	14,957	224,946
Dec	22350.0	22350.0	+10.0	22350.0	22350.0	1	4,138

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Friday, July 5, 1996

	Stocks Traded	Closing Prices	Change on day
Ishihara Sangyo	10.4m	454	-6
Mitsubishi Chem	6.7m	525	+14
Toshiba Corp	4.1m	765	-1
Sumitomo Prec	3.7m	1160	+20
Hitachi	3.6m	1050	+10
Kobe Steel	3.4m	302	-1
Keisei Ele Ry	3.4m	1220	-20
Kanematsu Corp	3.2m	732	-7
NKK Corp	3.1m	328	-1
Fuji Hvy Inds	2.9m	555	-5

4pm close Jul 5

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	19	AAR	0.48	2.4	20	242	20	19½	20	+¼
48⅛	36⅛	AMP	1.00	2.5	19	2376	39¾	39¼	39⅝	-⅝
97½	68	AMR			21	4493	86⅞	85	85½	-2¼
50½	37⅞	ASA	1.80	4.4	27	532	40⅞	39¾	40⅞	+1⅛
44¾	38⅛	AbbtL	0.96	2.2	19	3974	43¼	42¾	42¾	-⅞
17¼	13¼	Abitibi Pr	0.40	3.0	6	364	13⅝	13⅜	13⅜	-¼
39⅝	27	ABM Ind	0.70	1.8	20	21	u39⅝	39⅝	39⅝	
18½	13⅞	Acptncein			47	101	u18½	18⅛	18⅛	-⅜
50⅜	37¾	ACE Ltd	0.56	1.2	11	129	46⅞	46¾	46⅞	
9⅞	9⅛	ACM Gvt In x	0.90	9.1	8	129	u9⅞	9¾	9⅞	+⅛
7⅞	6⅝	ACM GvOpp x	0.57	8.4		410	6⅞	6¾	6¾	-⅛
7¼	6	ACM Gvt Sp x	0.66	10.4		240	6½	6¼	6⅜	
9⅛	8¼	ACM Gvt Se x	0.90	10.7		507	8½	8⅜	8⅜	-⅛
9½	8⅜	ACM Mun x	0.90	10.6		305	8½	d8⅜	8½	-⅛
30¾	16½	AcmeCir	0.52	1.7	7	6	30	29⅞	29⅞	
13⅞	6½	Acme Elect			43	19	8⅛	7⅞	7⅞	-¼
33¾	27¾	Acordia	0.80	2.4	20	23	33⅜	33¼	33¼	+⅛
21⅜	12	Acuson			67	185	14⅞	14⅜	14¾	
19½	18⅜	Adams Expr	1.68	8.7	0	86	19¼	19⅛	19⅛	-⅛
21¼	12⅞	AdvMic			5	2612	13⅝	13⅜	13⅝	+⅛
11⅛	8½	Advest Grp	0.16	1.5	7	13	10⅝	10½	10½	-⅛
28⅛	9⅛	Advo Inc	0.10	1.0	56	285	10¼	10	10⅛	-⅛
50⅞	41⅛	Aegon	1.19	2.5	14	12	47⅜	47⅛	47⅛	-½
6¾	3½	Aeroflex			9	236	5⅞	5¾	5¾	-⅛
78¾	66⅜	AetnaL	2.76	3.9	18	5001	71⅛	69⅞	69⅞	-1¾
33	28¾	Aflac	0.40	1.3	12	554	30⅝	30	30⅛	-⅜
20⅜	17⅛	AGL Res	1.06	5.7	16	113	18⅝	18½	18½	-⅛
28	21¼	Ahmanson	0.88	3.4	7	2894	26⅞	26	26⅛	-1⅛
60⅞	50⅜	AirPrC x	1.10	1.9	15	744	57½	57⅛	57⅛	-½
28⅜	23½	Airborne Frt	0.30	1.1	24	125	26⅝	26⅜	26½	-¼
22½	15½	Airgas Inc			32	125	19⅝	19⅜	19½	
18⅞	15	Airlease	1.80	10.9	10	8	16½	16⅜	16½	
33⅝	25⅝	AirTch			92	2112	28	27⅝	27⅝	-⅜
30¾	15⅞	Alaska Air	0.20	0.7	13	138	27¼	26⅞	26⅞	-⅜
22⅝	17¼	Albany Int	0.40	2.0	13	123	20⅞	20⅜	20⅜	-⅜
24⅛	17¼	Alberti	0.22	1.1	7	173	19¾	17⅞	19¾	+½
47½	32½	AlbCuB	0.36	0.8	22	146	46	45	45⅛	-1¼
40¼	29⅝	AlCulvr A	0.36	0.9	19	25	39¼	39¼	39¼	-¾
42¾	31½	Alcan	0.60	1.5	21	880	41⅝	40¾	40¾	-1
34⅛	28⅜	AlcnAl	0.80	2.0	12	5326	30½	29⅞	29⅞	-⅝
66	37⅛	AlcoSt	0.56	1.2	24	1474	45½	45	45⅜	+½
60½	39⅛	AlexBrown	0.80	1.5	7	77	55	53¾	53¾	-1⅜
27⅝	17⅞	AlexAl	0.10	0.5	24	189	19¾	19⅜	19⅜	-½
21⅜	17⅜	Allegh Lud	0.52	2.7	12	572	19¼	19	19⅛	-⅛
31	28	AllegP	1.68	5.7	16	462	30⅜	29¼	29½	-1
28⅞	16⅛	Allen Gro	0.20	0.9	19	704	21⅞	21½	21⅝	+⅛
41	30⅝	Allergan	0.48	1.2	35	1058	40¼	39⅞	39⅞	-½
25¾	21⅜	Allnce Cap	1.93	7.9	12	121	24¾	24⅜	24⅜	-⅜
13⅞	10	Allnce Gl	0.18	1.4		278	13⅜	13⅛	13⅛	-⅛
34⅝	29¾	Alld Irish	1.23	3.8	9	4	32	31¾	32	+¼
60⅜	47⅛	AldSig	0.60	1.6	18	3137	58⅜	57⅞	58	-⅞
10⅞	9½	Allmer	0.84	8.8		20	9¾	9⅝	9¾	-⅛
46¾	37⅜	Allste	0.85	1.9	11	4391	44⅞	44⅜	44½	+1¼
35⅝	28¼	Alltel Crp	1.04	3.5	15	937	30⅝	29⅞	29⅞	-⅞
5½	3⅞	Allwaste			75	61	4½	4⅜	4½	
27⅞	19⅛	AlphanmsA	0.18	0.9	22	32	19¾	19½	19⅝	-⅛
39⅝	26⅝	Alumax			5	1332	30⅛	29½	29½	-1⅛
66¼	49⅛	Alcoa	0.80	1.6	12	6293	57⅛	55¾	56	-⅞
34¾	24⅜	Alza Cp A			29	731	27¼	26⅝	26⅝	-⅞
6⅞	5½	AmGovInc x	0.42	7.0		301	6	5⅞	6	

Continued on next page

NYSE PRICES

4pm close Jul 5

Continued from previous page

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NASDAQ NATIONAL MARKET

4pm close Jul 5

[illegible]

AMEX PRICES

4pm close Jul 5

[illegible]

FT GUIDE TO THE WEEK

MONDAY 8

EU ponders Emu progress

Ireland opens its six-month EU presidency with a meeting of finance ministers in Brussels which will consider progress towards a single European currency. Twelve countries, including France, Germany and the UK, are running excessive budget deficits and will be advised to take corrective measures. Ministers will also discuss fraud against the EU budget and hold talks with their counterparts from central and eastern Europe on pension reform.

Lake meets Chinese leaders

Anthony Lake, the US national security adviser, begins three days of discreet discussions in China. Mr Lake will meet President Jiang Zemin, Li Peng, the premier, and Qian Qichen, the foreign minister. China, which sees such talks as a sign of US commitment to improving bilateral relations, will push for similar meetings to be held regularly. In turn, the US hopes to put its often turbulent relations with China on a more stable footing. But sensitive issues such as China's human rights abuses, protection of intellectual property rights and nuclear non-proliferation are on the agenda.

OAU considers African force

African heads of state meet in Yaounde, Cameroon, for the 33rd annual summit of the Organisation of African Unity. Conflict resolution in Africa will top the agenda, with delegates reviewing the volatile situation in Burundi. In response to this and other civil unrest, the OAU will consider the creation of a pan-African rapid deployment force to run peace-keeping missions. But African leaders will proceed cautiously on Nigeria and are likely to leave decisions on action against its dictator, General Sani Abacha, to the British Commonwealth. Trade ties and the obstacles to creating a single African trading zone will also be discussed.

World Court rules on N-tests

The World Court in The Hague gives its advisory ruling on whether international law allows nuclear weapons to be tested, used or threatened to be used. Its opinion was sought by the United Nations general assembly and the World Health Organisation after test explosions in the South Pacific by France – following which China resumed its own testing programme. More than 30 countries made written submissions to the court, whose ruling will not be enforceable. However, campaigners hope the outcome will add to moral pressure for disarmament.

Polish president sees Clinton

Aleksander Kwasniewski, the president of Poland, meets Bill Clinton, the US president, on Mr Kwasniewski's first official trip to the US. The visit is crucial for the Polish leadership, which is concerned to shake off its image as comprising former communists. Poland needs to win credibility for Nato membership – for which obtaining the ratification of Congress will be hard.

In a state visit to Britain, Nelson Mandela, the South African president, will appear at Trafalgar Square – where anti-apartheid activists protested for years

FT Survey

World Coal Industry.

Public holidays

Malawi, Solomon Islands, St Vincent, Tanzania, Yugoslavia.

TUESDAY 9

Mandela starts UK visit

Nelson Mandela, the president of South Africa, begins a four-day visit to Britain, which is the biggest investor in his country. It is Mr Mandela's first visit since South Africa became a democracy more than two years ago. The charismatic 77-year-old leader of the African National Congress will stay at Buckingham Palace as the guest of the Queen – a rare honour for visiting politicians. The customary walkabout will take place in Brixton and the return banquet in honour of the Queen has been scrapped in favour of a charity rock concert at the Royal Albert Hall. Mr Mandela will be accompanied by an array of government and business leaders.

Israeli PM makes US trip

Benjamin Netanyahu, the Israeli prime minister, makes his first visit to the US as premier of the Jewish state. Mr Netanyahu will talk with President Bill Clinton, state department officials and Congress. He is expected to spell out how he intends to continue with the fragile Israeli-Palestinian peace process – and whether he will honour the accords and withdraw Israeli troops from the occupied West Bank town of Hebron. Mr Netanyahu will also hold discussions with the International Monetary Fund and World Bank. He will seek to reassure nervous investors and explain his decision to make big cuts in expenditure.

FT Surveys

Ghana; Romania.

Public holidays

Argentina, Morocco, St Vincent.

WEDNESDAY 10

British MPs debate their pay

MPs' ethics return to the centre stage in the UK as the House of Commons debates plans for a 30 per cent pay increase for backbenchers and larger rises for ministers. The recommendation comes from the senior salaries review body, an outside organisation. John Major, the prime minister, and Tony Blair, the opposition Labour party leader, have called for the rises to be pegged to the inflation rate. Even though public confidence in them is at a low ebb, many MPs argue that their pay has not kept in line with other careers or with other countries' politicians. MPs will not have to obey the party line.

German budget cuts sought

Theo Waigel, the German finance minister, will seek politically controversial spending cuts when the Bonn cabinet agrees the draft federal budget for 1997. Tense negotiations over defence outlays have symbolised the finance ministry's struggle to keep overall federal spending down to DM438bn (£186bn) next year. Mr Waigel will aim to keep net federal borrowing below DM60bn in the hope of bringing Germany's public deficit next year below the Maastricht treaty limit of 3 per cent of gross domestic product.

Indian parliament convenes

India's parliament convenes for what is likely to prove a noisy and fractious "monsoon" session. The main business will be the presentation of the new United Front's first budget by P. Chidambaram, the finance minister. Opposition parties, and even some UF supporters, are expected to attack the government over last week's rise in petroleum prices of between 25 and 30 per cent.

Golf

Scottish Open, Carnoustie (to July 13).

FT Survey

FT Exporter.

THURSDAY 11

Saleroom

The passionate last love letters written by Dylan Thomas to his wife Caitlin are among the items in a Sotheby's auction of English literature and history in London. They are expected to sell for up to £9,000. Also included is an archive relating to Lawrence of Arabia, including his copy of The Student's Arabic-English Dictionary, estimated to fetch up to £6,000, and the diaries of John Motley, the US ambassador in London in the 1860s, which are expected to sell for £40,000. The latter include a description of a meeting between the two great competing heroes of the American civil war, Ulysses Grant and Robert Lee.

Equestrianism

Royal International Horse Show, Hickstead (to July 14).

Swimming

ASA National Championships, Leeds (to July 14).

FT Surveys

Kazakhstan; Maharashtra.

Public holidays

Kiribati, Mongolia.

FRIDAY 12

Lloyd's to report £1bn profit

Lloyd's of London, which reports three years in arrears, publishes figures which will show that a profit of more than £1bn was generated in 1993. The latest results follow five years of losses totalling more than £8bn. The turnaround comes as Lloyd's seeks to win the support for its recovery plan from Names - individuals whose assets have traditionally supported the insurance market. On July 15, Lloyd's annual meeting will be accompanied by votes on the financing of the plan, which includes a £3.1bn out-of-court offer to loss-making and litigating Names.

Orangemen march in Ulster

Protestant Orangemen, with their lumbeg drums, sashes and bowler hats, gather throughout Northern Ireland to mark King William's victory over the Catholic King James II at the Battle of the Boyne. The day, a public holiday, normally passes without incident – in contrast to the weeks of confrontation between Orange lodges and nationalist residents about the rights to stage parades in Catholic areas. The marching season, with more than 300 parades, has been the focus of renewed concern in the wake of the breakdown of the IRA ceasefire.

Athletics

KP Games grand prix event, London.

Bowls

Scottish Masters, Aberdeen (to July 14).

Public holidays

Australia, Kiribati, Mongolia, Sao Tome, UK (Northern Ireland).

SATURDAY 13

Cuba-US flashpoint fears

Cuba-US relations will be sorely tested, with a flotilla of small Cuban-American boats and some light aircraft expected to commemorate the second anniversary of the sinking of an overcrowded tugboat carrying Cubans fleeing to Florida. Up to 41 people drowned in the incident, which was blamed by the exiles on Havana. On July 15, meanwhile, the deadline falls for a decision by the US president, Bill Clinton, on whether to suspend a crucial part of legislation that if left to stand would give US nationals the right to sue foreign companies and others dealing in assets confiscated by the Castro government.

Tango festival in Finland

Tango lovers – of the dance variety – gather for one of its biggest annual festivals, not in the bars of Buenos Aires but beside a Finnish lake. Tens of thousands of people are expected to visit the *Tangomarkkinat* festival in the town of Seinajoki, north of Helsinki. A king and queen of tango will be crowned in a ceremony broadcast to about one fifth of the population. Finnish tango, which took root in the 1930s, may be easier to dance than the Argentine. However, with classics such as "That's why I'm sad" and "Love, suffer and forget", it competes for melancholy.

Cricket

Benson and Hedges Cup final, Lord's: Lancashire v Northamptonshire.

Public holiday

Mongolia.

SUNDAY 14

Mexican party elects leader

Mexico's strongest leftwing party, the opposition Democratic Revolution Party, elects a new leader to replace Porfirio Munoz Ledo. The victor will tackle issues such as the party's participation in negotiations on electoral reform, its relationship with the Zapatista rebels and its strategy for reconquering its declining vote. The favourite is Andres Manuel Lopez Obrador, a former ruling party official who is best known for his campaign of civil disobedience in Tabasco following contested election results.

Mandela at Bastille day

Nelson Mandela, the South African president, is in Paris for the *Fête Nationale*, celebrating the fall of the Bastille, on his first visit as head of state. The problems of Africa and bilateral trade between France and South Africa are likely to be high on the agenda in talks with President Jacques Chirac and Alain Juppé, the prime minister.

Motor racing

British grand prix, Silverstone.

Public holiday

Iraq.

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ECONOMIC DIARY

Other economic news

Monday: G10 central bankers meet in Basle and EU finance ministers in Brussels. UK raw material prices are thought to have continued falling last month, with output prices broadly stable. US consumer credit growth is thought to have picked up in May.

Tuesday: UK Treasury summer forecast published. German unemployment is predicted to have risen last month and Mexican inflation to have declined in June.

Wednesday: Denmark's trade surplus is forecast to have narrowed in April. Raw material price inflation is thought to have slowed in May in both Spain and the Netherlands.

Thursday: The Bundesbank council meets, but is not expected to change German interest rates. UK inflation is predicted to have fallen fractionally last month, despite evidence of strong consumer spending. The French current account surplus is expected to have increased in April.

Friday: US retail sales are predicted to have rebounded in June after falling slightly in the previous month. French inflation is thought to have been stable last month, but Spanish inflation may have edged higher.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	May consumer credit	$5.5bn	$5.6bn
July 8	UK	Jun producer price indx input*	-0.5%	-0.5%
	UK	June producer price indx input**	-0.3%	1.1%
	UK	Jun producer price indx output*	-0.1%	-0.1%
	UK	Jun producer price indx output**	2.7%	2.9%
	UK	Jun PPI ex-food, drink, tobacco	2.1%	2.4%
	UK	May industrial production*	0.2%	-0.8%
	UK	May industrial production**	0.7%	0.8%
	UK	May manufacturing output*	0.2%	-0.3%
	UK	May manufacturing output**	0.1%	0.3%
	Italy	May ex-EU trade balance	L2.6Tr	L3.5Tr
Tues	US	May wholesale trade	0.4%	1.1%
July 9	Japan	May mach'ry orders ex-elec & ships*	-	25.7%
	Japan	May mach orders ex-elec & ships**	-	17.9%
	Japan	Jun Bank of Japan data	-	n/a
	Germany	Jun unemployment, West†	10,000	15,000
	Germany	Jun unemployment, pan-Germany†	0.0K	-8,000
	Germany	Apr unemployment, West†	-7,500	-39,000
	Germany	Jun vacancies, West†	-	-4,000
	Germany	Jun short-time (not seas adj)	-	-63,000
	UK	May cyclical indicators (1st est)	-	n/a
	UK	May construction orders	-	n/a
Wed	Spain	May producer price indx*	0.2%	0.2%
July 10	Spain	May producer price indx**	1.6%	1.7%
	N'lands	May producer price indx**	-	1.0%
Thur	US	Initial claims w/e July 6	365,000	354,000
July 11	US	State benefits w/e Jun 29	-	2.58m
	UK	Jun retail price indx*	0.0%	0.2%
	UK	Jun retail price indx**	2.1%	2.2%
	UK	Jun RPI ex-mortgage int payments	2.7%	2.8%
Fri	US	Jun retail sales	0.1%	0.6%
July 12	US	Ditto ex-autos	0.2%	0.2%
	US	Jun producer price indx	unch	-0.1%
	US	Ditto ex-food & energy	0.1%	unch
	US	Jul Michigan sentiment prelim	93.0	92.4
	US	Jun Atlanta Fed Indx	12.8	10.4
	US	Jun bank credit	n/a	1.4%
	US	Jun C&I loans	n/a	4.0%
	Japan	Jun ov'll wholesale price indx*	-	-0.2%
	Japan	Jun domestic WPI**	-	-0.9%
During the week...				
	Germany	Jun final cost of living, West*	-	0.3%
	Germany	Jun final cost of living, West**	-	1.5%
	Germany	Jun fnl cost of living, pan-Germany*	0.1%	0.2%
	Germany	Jun fnl cost of living, pan-Germany**	1.4%	1.7%
	Germany	Apr trade balance	DM7.4bn	DM6.2bn
	Germany	Apr current a/c	-DM1.0bn	-DM1.4bn
	Germany	May retail sales, real**	0.0%	2.0%
	Germany	May capital a/c	-	DM13.2bn

*month on month, **year on year, †seasonally adjusted. Statistics, courtesy MMS International.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.90	15.21	16.69
0100	8.90	12.12	13.70
0130	[illegible]	8.44	10.02
0200	[illegible]	8.44	10.02
0230	[illegible]	8.44	10.02
0300	[illegible]	8.44	10.02
0330	7.00	8.44	10.02
0400	7.00	8.44	10.02
0430	7.00	8.44	10.02
0500	7.00	8.44	10.02
0530	7.00	[illegible]	[illegible]
0600	7.00	[illegible]	[illegible]
0630	7.00	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	8.90	8.90
0800	[illegible]	8.60	10.05
0830	8.90	9.50	10.08
0900	10.34	17.10	18.67
0930	12.65	17.01	18.69
1000	15.71	17.10	18.67
1030	18.65	21.97	23.55
1100	19.91	22.27	23.84
1130	30.48	24.02	25.60
1200	30.48	33.03	34.60
1230	37.93	33.54	[illegible]
1300	37.93	33.54	35.12
1330	37.93	33.03	34.60
1400	28.81	17.20	18.77
1430	19.58	17.20	18.77
1500	13.71	17.20	18.77
1530	8.85	17.20	18.77
1600	17.85	16.29	17.87
1630	17.85	16.29	17.87
1700	17.85	16.29	17.87
1730	17.85	17.20	18.77
1800	17.85	17.20	18.77
1830	17.85	17.20	18.77
1900	17.85	17.20	18.77
1930	17.85	17.20	18.77
2000	8.95	17.20	18.77
2030	17.85	17.20	18.77
2100	8.95	17.20	18.77
2130	17.85	17.20	18.77
2200	31.21	17.20	18.77
2230	42.42	27.28	28.84
2300	42.42	27.28	28.84
2330	18.71	17.20	18.77
2400	12.88	22.54	24.12

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.91	13.09	14.56
0100	8.88	8.60	10.03
0130	8.88	13.09	14.58
0200	8.88	13.09	14.58
0230	8.88	13.09	14.56
0300	8.88	13.09	14.58
0330	8.88	13.09	14.58
0400	8.88	13.09	14.56
0430	8.87	13.09	14.56
0500	8.87	8.60	10.03
0530	8.88	8.90	8.90
0600	8.88	8.90	8.90
0630	8.90	8.44	9.97
0700	9.00	16.55	18.08
0730	16.44	17.40	18.98
0800	17.21	18.83	20.79
0830	20.82	20.87	23.35
0900	23.79	48.89	52.05
0930	27.30	52.89	57.40
1000	30.56	55.04	59.90
1030	35.16	56.27	61.39
1100	50.13	57.19	62.48
1130	68.83	61.97	68.25
1200	70.00	74.88	81.16
1230	67.87	73.84	80.48
1300	68.31	68.63	74.28
1330	31.28	53.95	58.54
1400	25.09	32.55	36.45
1430	25.63	31.47	35.13
1500	24.81	30.27	33.71
1530	24.95	30.28	33.72
1600	25.84	28.20	32.27
1630	42.36	44.10	49.05
1700	42.27	78.78	84.00
1730	30.17	75.00	79.32
1800	21.45	52.46	55.91
1830	18.39	19.84	21.75
1900	17.83	18.87	20.49
1930	17.51	18.19	18.75
2000	18.84	17.84	19.17
2030	16.93	16.84	18.37
2100	16.93	16.84	18.37
2130	18.55	16.84	18.37
2200	20.67	23.64	25.36
2230	20.67	25.34	26.87
2300	20.86	25.34	26.87
2330	18.93	16.84	18.37
2400	18.93	15.35	16.08

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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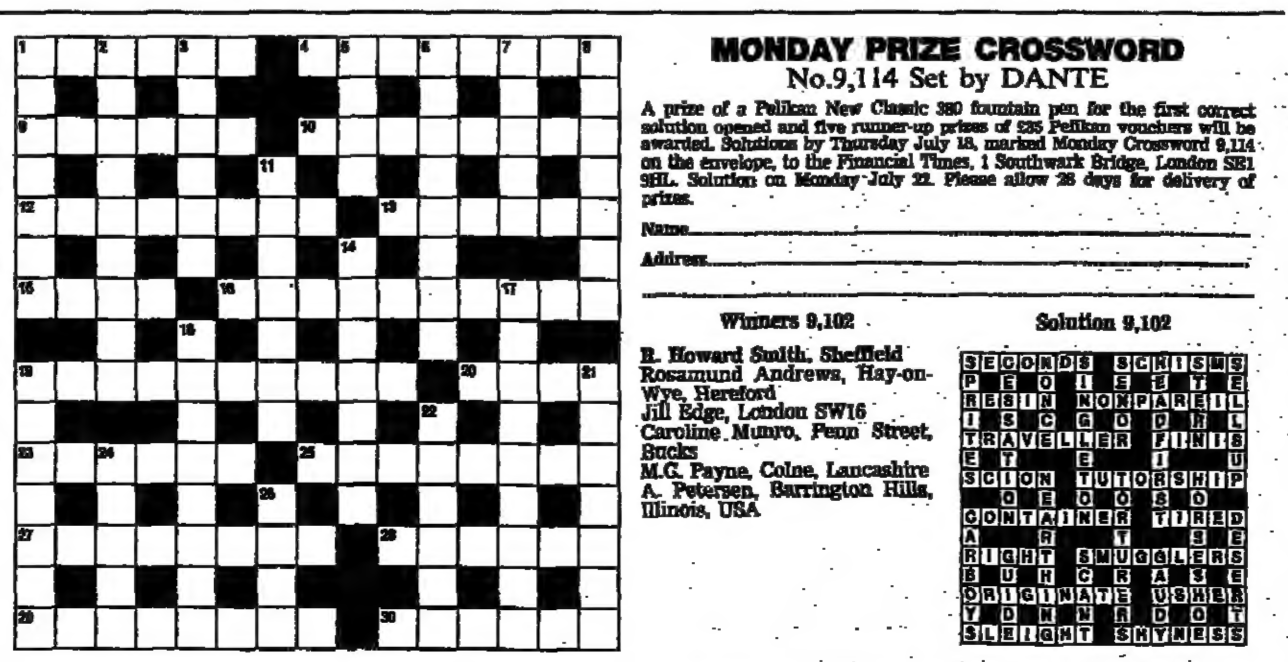
MONDAY PRIZE CROSSWORD
No.9,114 Set by DANTE

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday July 18, marked Monday Crossword 9,114 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday July 22. Please allow 28 days for delivery of prizes.

Name.......

Address.......



ACROSS

1 Suitable cut-out for computer (6)
4 Moneylender's overtures? (8)
9 The Pope goes out to meet the French nation (6)
10, 19 It's not a surprise ending (8,10)
12 Instrument with the stamp of fine stuff (8)
13 Follow a racing tip (6)
15 Amy's out getting vegetables (4)
16 Open hostility (7,3)
19 See 10 across
20 Spring from the bows (4)
23 They raise this so awkwardly (6)
25 In retirement Edward longed to be free of ties (8)
27 and 22 down Barmaid need not give change for this machine (3-5,6)
28 Do have a setback with debts admitted to be bad (6)
29 Electro-magnet needed when the old one is replaced (8)
30 It's heavy going getting a mad dog into a pen (6)

DOWN

1 Disease the French experts remedy finally (7)
2 He turns up in the country (9)
3 Overweight blondes, initially, yearn to get in shape (7)
5 One is put out when shown this (4)
6 Opening for a photographer (8)
7 Stop being stuffy (5)
8 No mean poet! (7)
11 Medical problem for a seaside resort (7)
14 We all do wrong if permitted (7)
17 Guard what one says – it's a good maxim (9)
18 Poor Latin for press agent (4-4)
19 In such agreement cash, too, is involved (7)
21 Reserve an enclosure, after a fashion (7)
22 See 27 across
24 Thought a pupil perfect (5)
26 Each one a fairy! (4)

Winners 9,102

R. Howard Smith, Sheffield
Rosamund Andrews, Hay-on-Wye, Hereford
Jill Edge, London SW16
Caroline Munro, Penn Street, Bucks
M.G. Payne, Colne, Lancashire
A. Petersen, Barrington Hills, Illinois, USA

Solution 9,102

SECONDS SCHISMS
P E O I E E T E
RESIN NONPAREIL
I S C G O D H L
TRAVELLER FINIS
E T E I U
SCION TUTORSHIP
O E O O S O
CONTAINER TIRED
A R T S E
RIGHT SMUGGLERS
B U H C R A S E
ORIGINATE USHER
Y D N N R D O T
SLEIGHT SHYNESS

JOTTER PAD

هكذا من الأصل